Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Directorate of
Intelligence

~~Secret~~

[redacted] 25X1

International Economic & Energy Weekly [redacted] 25X1

11 April 1986

~~Secret~~

DI IEEW 86-015
11 April 1986
Copy 837

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

25X1
Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Page Denied

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

International Economic & Energy Weekly [redacted] 25X1

11 April 1986

iii	Synopsis	
1	Perspective—Soviet-Supported LDCs: Economic Decline and US Opportunities [redacted]	25X1 25X1
3	Soviet-Supported LDCs: Still Reliant on Trade With the West [redacted]	25X1 25X1
7	Summit Issues: EC-US Trade Problems [redacted]	25X1 25X1
11	El Salvador: Austerity Program Under Fire [redacted]	25X1 25X1
[redacted]		25X6
19	Peru: Continued Footdragging on Debt [redacted]	25X1 25X1
23	Czechoslovakia: Modest Economic Plan for 1986-90 [redacted]	25X1 25X1
27	Briefs — Energy; International Finance; International Trade; Global and Regional Developments; National Developments	
[redacted]		25X1
	Indicators	

25X1

Comments and queries regarding this publication are welcome. They may be directed to [redacted] *Directorate of Intelligence* [redacted] 25X1

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

International Economic & Energy Weekly

25X1

Synopsis

1 **Perspective—Soviet-Supported LDCs: Economic Decline and US Opportunities** 25X1

Years of following Soviet-encouraged centralist approaches to development have left Moscow's LDC allies ill prepared to handle the series of oil shocks, global recessions and higher interest rates that have beset the Third World in recent times. 25X1

3 **Soviet-Supported LDCs: Still Reliant on Trade With the West** 25X1

Despite their dependence on Moscow for military aid, Angola, Ethiopia, Mozambique, Nicaragua, and South Yemen continue to rely on the industrialized West for hard currency export markets and for imports of many foodstuffs and key capital goods. 25X1

7 **Summit Issues: EC-US Trade Problems** 25X1

Trade tensions between the United States and the European Community are high, with little likelihood of substantial improvement in the near term. US and EC policymakers will meet later this month to discuss agricultural trade problems, but EC trade restrictions on oilseeds and grains and US countermeasures planned for 1 May and 1 July threaten to undermine Japan's hopes for harmony at the Tokyo Summit. 25X1

11 **El Salvador: Austerity Program Under Fire** 25X1

President Duarte's economic reform plan has come under continued criticism from both the left and the right since it was announced three months ago, but opponents have had little success in mobilizing widespread public support for protests. 25X1

25X6

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

25X1

19 **Peru: Continued Footdragging on Debt** 25X1

President Garcia faces the prospect of managing Peru's debilitated economy without foreign credit. Despite recent minor adjustments in Peru's debt policy, we doubt Garcia is prepared at this juncture to make the concessions necessary to reach an accommodation with foreign creditors. 25X1

23 **Czechoslovakia: Modest Economic Plan for 1986-90** 25X1

Czechoslovakia's five-year plan, approved by the party congress last month, calls for a closer relationship with the Soviet Union, which in our view will limit the economy to slow growth at best. As as result, the regime will face the difficult task of scaling back its modernization program or making politically risky cuts in consumption. 25X1

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Secret

25X1

International Economic & Energy Weekly

25X1

11 April 1986

Perspective

Soviet-Supported LDCs: Economic Decline and US Opportunities

25X1

Years of following Soviet-encouraged centralist approaches to development have left Moscow's LDC allies ill prepared to handle the series of oil shocks, global recessions, and higher interest rates that have beset the Third World in recent times. Indeed, the placement of restraints on market forces almost certainly has hampered efforts by Soviet-backed LDCs such as Mozambique, Ethiopia, and Nicaragua to deal with key problems such as hunger, unemployment, or balance-of-payments deficits. While Moscow's economic assistance has increased—including deliveries of oil to some countries on favorable terms—such support has remained insufficient to deal with the growing economic difficulties facing many of its LDC allies. Soviet leader Gorbachev's speech at the Communist Party Congress in February, which touched relatively lightly on Third World issues while focusing heavily on domestic economic problems, suggests that Moscow is unlikely to change its position any time soon.

25X1

We believe that further deterioration in the economies of Soviet-supported LDCs may prompt some of them to seek expanded economic relations with the West. Continued Soviet rejection of requests for increased economic aid, combined with longstanding LDC unhappiness over the poor quality of USSR aid programs, will probably encourage Moscow's allies to seek expanded Western alternatives to Soviet economic support. We believe Moscow will often have little choice but to accept this approach, while counting on military assistance to maintain its status as those countries' principal patron. The USSR runs the risk, however, that the LDCs not only will involve themselves more closely in the Western trading and financial structure, but that in some cases they will also gradually increase the market orientation of their economies. LDCs that accept guidelines from international organizations such as the IMF and World Bank, for example, would be encouraged to eventually adopt economic approaches better suited to competition in the international market. Gradual changes in foreign policy and domestic political orientation, while hardly automatic, could follow. Mozambique, for example, already has made efforts toward economic liberalization and broader Western economic ties that could eventually weaken Soviet influence.

25X1

In the near term, however, prospects for translating the economic problems of most Soviet-supported LDCs into loosened ties to Moscow are poor. Few of the countries' leaders are likely to lessen their ideological identification with socialism and "anti-imperialism." For a variety of political and security reasons, including in some cases the presence of Western-backed insurgent movements, they will probably value the continuation of Soviet military aid. Moreover, LDC regimes will remain vulnerable to domestic and external

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

pressures that the Soviets can exploit. Some LDC leaders, for example, will probably respond to political difficulties by tightening government control of the economy, rather than by encouraging market forces. Nicaragua is a clear case in point. [redacted] 25X1

The West thus faces both obstacles and opportunities in pursuing political benefits from the economic problems of Soviet-supported LDCs. Encouraging such countries to take a longer term view regarding the value of having an increased stake in the Western system will be difficult. As in the past, many of those LDC regimes will probably seek assistance from both sides, maintaining some distrust of both Western and Soviet motives. Demonstrable Western success in assisting other LDCs, however, could help gradually shift the thinking of Soviet-supported LDCs. Successful handling by industrial countries of LDC debt and trade difficulties would probably help in this regard, as would clear-cut LDC benefits from Western aid programs. Although such examples would not necessarily affect the LDCs' ideological stripes, they could buttress Western arguments that Soviet military support is hardly the best answer to key domestic challenges facing LDC regimes. [redacted] 25X1

[redacted] 25X1

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Soviet-Supported LDCs: [1] Still Reliant on Trade With the West

25X1

Despite their dependence on Moscow for military aid, Angola, Ethiopia, Mozambique, Nicaragua, and South Yemen continue to rely on the industrialized West for hard currency export markets and for imports of many foodstuffs and key capital goods. The five countries face a deteriorating economic situation, caused in part by worsening export performance. Although Soviet military and ideological ties will remain the overriding concern for the five LDCs, the need for hard currency—combined with Moscow's unwillingness to offer such aid—has led some to explore stronger economic ties to the West.

25X1

Continued Dependence on OECD Trade

The five Soviet-supported LDCs—Angola, Ethiopia, Mozambique, Nicaragua, and South Yemen—despite strong military and ideological ties to Moscow, maintain high trade levels with OECD countries. During 1975-84, OECD countries accounted for at least three-fourths of the LDCs' total annual exports. The United States has been a major purchaser of their exports. In 1984, for example, it was either the first- or second-largest export market for each LDC except South Yemen. The OECD, moreover, is the primary importer of Angolan oil, which accounts for the bulk of these LDCs' exports to the West.

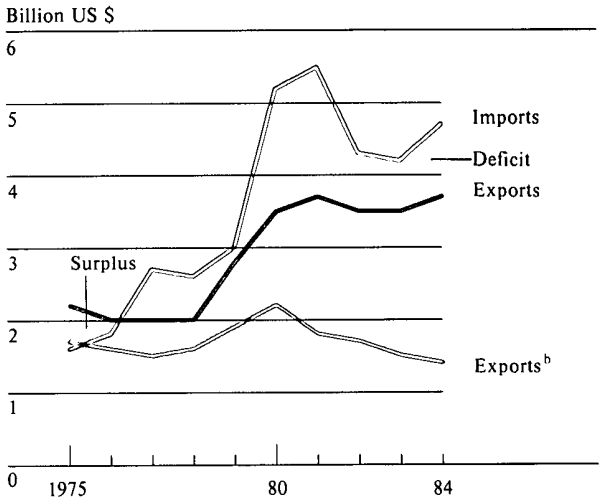
The five LDCs also depend on the West rather than on their Soviet benefactors for most imports of capital goods and foodstuffs essential to sustaining development. Total imports from OECD countries remained strong over the decade and in 1984 were over $2.3 billion. Imports of machinery and transportation equipment from OECD countries totaled more than $900 million—almost twice the level of similar imports from the Soviet Union. Imports of chemical products—including pesticides and medicines—were $235 million, compared with $6 million from the Soviets. By 1984 food deliveries from the West had become a major component of the LDCs' imports.

25X1

25X1

25X1

Selected Soviet-Supported LDCs: Total Exports and Imports, 1975-84[a]



[a] Data for Angola, Ethiopia, Mozambique, Nicaragua, and South Yemen.
[b] Less Angolan fuel exports.

308824 4-86

25X1

Trade With the Soviets: Mostly One-Way

Over the past decade, each of the five LDCs has with few exceptions run annual trade deficits with the Soviet Union. According to 1984 Soviet trade statistics, these deficits ranged from $129 million for South Yemen to $227 million for Ethiopia and

25X1

[1] The Soviet-supported LDCs referred to in this article are not necessarily Soviet client states but consider themselves Marxist-Leninist and rely on varying levels of military support from Moscow. The five LDCs were selected on the basis of their dependence on trade with the West and hard currency trade arrangements with the USSR. We do not include LDC trade with Eastern Europe or Cuba, which in most cases is insignificant and reflects trade patterns with the Soviet Union.

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Selected Soviet-Supported LDCs: Commodity Composition of Trade to the USSR and OECD [a]

Million US $

	1975		1980		1984	
	USSR	OECD	USSR	OECD	USSR	OECD
Total exports	3	1,942	83	2,102	37	2,763
Foodstuffs	0	754	67	847	16	586
Raw materials	1	377	2	171	9	190
Fuels	0	724	0	874	0	1,951
Other	2	87	14	210	12	36
Total imports	24	1,098	408	2,511	905	2,346
Foodstuffs	4	133	16	533	41	612
Machinery and equipment	12	436	207	890	495	933
Of which:						
Transport	6	141	144	391	285	448
Fuels	0	19	129	74	289	38
Semifinished goods	2	242	7	431	10	348
Chemical products	0	145	0	372	6	233
Consumer goods	2	55	7	139	13	94
Other	4	68	42	72	51	88

[a] LDCs include Angola, Ethiopia, Mozambique, Nicaragua, and South Yemen. Data come from UN and Soviet trade statistics.

25X1

represented the largest bilateral trade deficit for each LDC. We believe that about two-thirds of the combined deficit since 1980 was financed under economic and aid agreements, which lessens the trade deficit's impact on the five LDCs' balance of payments.

While these LDCs have some commodities of interest to Moscow—Angolan oil, Ethiopian coffee, Mozambican minerals—they have been reluctant to sell goods to the Soviet Union that can earn foreign exchange through exports to the West. Consequently, these LDCs have been willing to export to the USSR on average only about $40 million annually.

The five LDCs' strong growth in imports from the Soviet Union—totaling over $900 million in 1984—has been financed through the high volume of credits that Moscow offers through its aid programs. These credits have financed large imports of trucks, aircraft, and power engineering and metallurgical equipment. For each LDC except Angola, there has also been a rapid increase in imports of Soviet crude oil and oil products, with Ethiopia and Nicaragua depending almost entirely on Soviet oil. these cash-starved LDCs have been able to increase their oil imports through price subsidies—Ethiopia—and credit arrangements offered by Moscow, much of which is unlikely to be repaid—Nicaragua.

25X1
25X1
25X1

25X1

Frustrations With Moscow Emerge

The five LDCs have sought greater Soviet assistance and balance-of-payments support to reverse

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Selected Soviet-Supported LDCs:
Trade With the USSR and OECD

Million US $

	1975			1980			1984		
	USSR	US	Non-US OECD	USSR	US	Non-US OECD	USSR	US	Non-US OECD
Balance	**−20**	**343**	**500**	**−325**	**494**	**−904**	**−868**	**782**	**−367**
Exports	3	643	1,299	83	1,002	1,100	37	1,255	1,507
Angola	0	425	439	24	559	415	4	1,053	727
Ethiopia	3	49	113	40	91	195	23	89	252
Mozambique	0	36	316	3	113	150	2	26	59
Nicaragua	0	131	194	8	220	195	1	69	271
South Yemen	0	1	237	8	19	145	7	18	197
Imports	23	300	799	406	508	2,004	905	473	1,874
Angola	0	53	259	106	111	860	180	103	644
Ethiopia	4	70	157	186	72	367	250	174	482
Mozambique	0	18	211	28	69	308	169	23	227
Nicaragua	0	156	97	0	249	100	170	112	176
South Yemen	19	3	74	86	6	369	136	62	345

25X1

their economic decline. In our view, because of Moscow's unwillingness to provide more beneficial arrangements, these LDCs have looked increasingly to the West and their regional allies:

- ***Angola*** has sought direct investment and Western financial support to counter weak Soviet aid.

- ***Mozambique*** has sought and gained acceptance into the IMF, the World Bank, and the EC's Lome Convention. The government also adopted several market-oriented reforms, such as flexible wages and prices.

- ***Ethiopia*** has resisted pressures by the Soviets to limit debts to the West and cut back on Western imports

- ***South Yemen***, before the recent change of regime, partially countered weak Soviet economic support with stronger trade and aid links with its Arab neighbors.

- ***Nicaragua***'s economic support from the Soviets has increased sharply in recent years. Managua, however, may become more dependent on West European trade and aid, especially if Moscow cuts back on hard currency support this year.

25X1

25X1

Outlook

We do not believe the five LDCs' foreign payments situation will improve measurably in the near term. Although most have managed to limit nonmilitary hard currency imports in recent years, prospects for substantial increases in export earnings are not good:

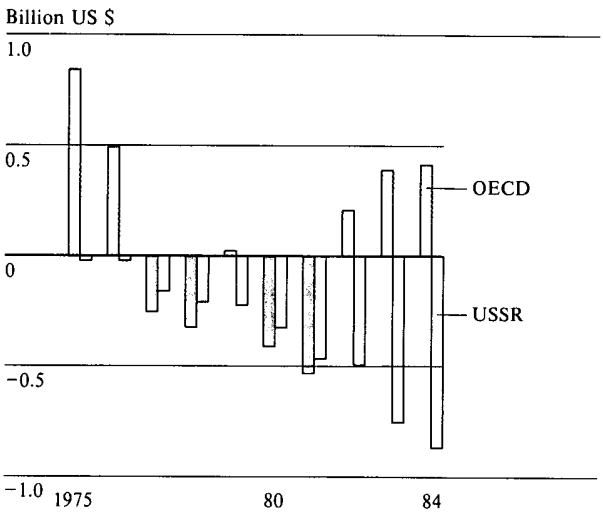
- ***Ethiopia***'s coffee exports probably will only partly recover this year, despite higher prices and relaxed quotas.
- ***Nicaragua***'s total cotton exports will drop considerably in 1986, according to US Embassy reporting.

25X1

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Selected Soviet-Supported LDCs: Trade Balances, 1975-84[a]



[a] Data for Angola, Ethiopia, Mozambique, and South Yemen.

308825 4-86

- ***Angola***, despite an expected increase in domestic oil production, will probably suffer a considerable decline in export revenues because of lower oil prices.
- ***South Yemen***, largely dependent on its refinery operations, probably will suffer from falling oil prices.
- ***Mozambique***'s exports look bleak for 1986, despite market-oriented reforms and marginally increased Western aid.

25X1

There also is little indication that the five LDCs will be able to count on the Soviets for much more assistance in offsetting their large bilateral trade deficits. In our judgment, these LDCs will resist Moscow's pressures to increase exports to the Soviet Union. Moscow's own economic difficulties may result in greater demands for payment in hard currency or equivalent goods.

25X1

Despite the five LDCs' trade problems with the USSR, Soviet military aid remains essential to their regimes. We believe, moreover, that Moscow will continue to provide military aid and other support to these countries because it still considers these commitments worthwhile.

25X1

To sustain economic development, the Soviet-supported LDCs almost certainly will remain dependent on Western trade for reliable export markets and imports of foodstuffs and capital goods. Although military and ideological concerns will continue to link the LDCs to Moscow, their poor economic straits may encourage them to seek long-term developmental assistance, balance-of-payments support, as well as direct investment from the West. Reliance on Western trade in turn could encourage the LDCs eventually to restrict Soviet-style development strategies and possibly adopt some pragmatic, market-oriented reforms. While friction between Moscow and these LDC allies may not directly translate into stronger Western relations, it could allow the West to play on their frustrations and sharpen differences with the Soviets.

25X1
25X1

25X1

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Summit Issues: EC-US Trade Problems

25X1

Trade tensions between the United States and the European Community are high, with little likelihood of substantial improvement in the near term. US and EC policymakers will meet later this month to discuss agricultural trade problems, but EC trade restrictions of oilseeds and grains and US countermeasures planned for 1 May and 1 July threaten to undermine Japan's hopes for harmony at the Tokyo Summit. The EC has stressed it wants a negotiated settlement but has warned it will retaliate if the United States acts on 1 May, three days before the start of the summit. Other bilateral trade issues—steel, aircraft, and textiles—are less contentious and probably will not interfere with the summit, but are nonetheless likely to heat up again.

25X1

Agriculture: Growing Discord

EC member states have expressed concern about the United States' threatened actions concerning the tariff and quantitative measures on grain and soybean trade the EC imposed on 1 March in conjunction with the accession of Spain and Portugal to the EC. The EC contends that enlargement will ultimately result in an overall trade advantage for the United States—as more tariffs affecting US trade will go down than up, particularly on manufactured goods—and that the United States will receive indirect compensation for lost agricultural markets through increased access to other Iberian sectors. The EC also believes it adequately notified the United States through the GATT last July and through the text furnished last November.

25X1

The EC will, however, probably use the enlargement argument to implement new agricultural measures. With the Portuguese oilseed quota as a first case, the EC may try to end its no-duty treatment of oilseed imports, thereby affecting $1.8 billion of US oilseed exports—primarily soybeans and sunflower seeds—to the whole Community.

EC: Trade With the United States, 1984

	Exports		Imports	
	Million US $	*Percent*	*Million US $*	*Percent*
Total	**54,904**	**100.0**	**48,071**	**100.0**
Foodstuffs	3,605	6.6	4,039	8.4
Crude materials	592	1.1	5,450	11.3
Energy	4,922	9.0	2,031	4.2
Chemicals	5,056	9.2	4,916	10.2
Basic manufactures	9,360	17.0	3,411	7.1
Machinery	21,645	39.4	20,526	42.8
Miscellaneous manufactures	7,468	13.6	4,777	9.9
Other	2,256	4.1	2 ,921	6.1

25X1

25X1

The Commission is preparing a new oilseeds regime under the Common Agricultural Policy (CAP) to be submitted to the EC agriculture ministers this fall. Spain and Portugal have increased EC olive oil production by 70 percent—the Community was already 95 percent self-sufficient in olive oil before enlargement. The new regime is likely to include tariff hikes on imported oilseeds: the new suspended tariff schedule for the EC-12—to be used as the basis for compensation negotiations in the GATT—has left blank the tariff lines for oilseeds, oilcake and meal, and corn gluten feed. US Embassy reporting has indicated that the EC may try to use the potential gains from lower Spanish and Portuguese duties on manufactured goods to justify raising tariffs on the products left blank in the new schedule. France and Italy are especially keen to use this approach, while the United Kingdom, West Germany, and Denmark are against raising oilseed tariffs.

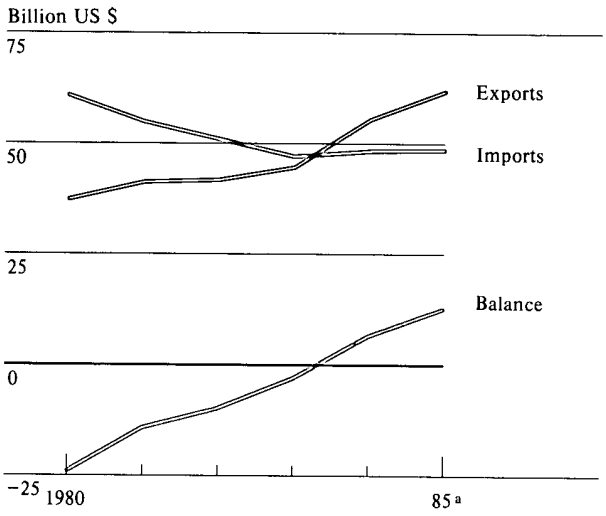
25X1

25X1

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

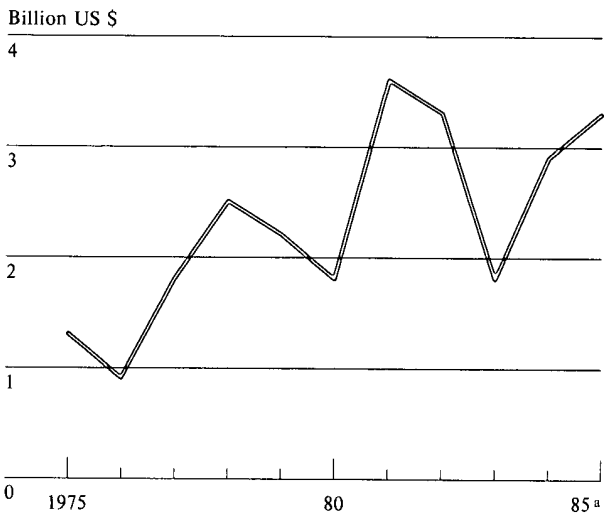
EC: Trade With the United States, 1980-85



a Estimated.

308820 4-86

United States: Steel Imports From the EC, 1975-85



a Estimated.

308821 4-86

The Community strongly prefers that the dispute be settled by negotiation through the GATT process and places great importance on high-level political talks with the United States set for 19 April concerning the full implications of enlargement. It is highly likely, however, that the EC will retaliate if the United States goes forward on 1 May with announced measures against Community agricultural exports. The Twelve are firmly united in their belief that their actions are consistent with the GATT and unavoidable as a result of enlargement. Even the United Kingdom, which is often the most likely to sympathize with US concerns, advocates a firm Community line on this issue. The EC Commissioners for External Relations and Agriculture, De Clercq and Andriessen, are likely to stress at the meeting this month their appreciation for the political significance of the issue in the United States, their willingness to negotiate compensation and avoid a trade war, and their insistence that enlargement will benefit the United States overall. They almost certainly will ask US officials to delay implementation of the 1 May retaliatory measures. If their request is denied, the Commission would probably consider quantitative restrictions on imports of US oilseeds and corn gluten feed, as well as taxes on oils and fats—except for olive oil—to discourage imports of these products. [redacted] 25X1

25X1

25X1

Other Simmering Disputes

A number of additional trade disputes have created problems in EC-US relations, and, although they are less contentious than agricultural trade, the potential for more flareups exists, with possible spillover effects into other sectors and the new GATT round. [redacted] 25X1

Steel. Issues over steel trade have calmed following the imposition of import restrictions by the United States and retaliatory EC measures—quotas

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

against imports of US fertilizer, coated paper, and beef tallow. Steel trade is particularly sensitive to both sides because of sluggish domestic market conditions and the number of jobs involved. US restrictions—which cut EC shipments of semifinished steel by one-third to 600,000 metric tons—come as the Community is in the midst of restructuring the steel industry. Since 1980, nearly 200,000 workers have lost their jobs, and the EC wants to minimize further job losses. Tensions are likely to rise again at the end of the year when the pipes and tubes agreement expires if the United States chooses to tighten restrictions; under the current arrangement the EC share of the US pipe and tube market is limited to 7.6 percent.

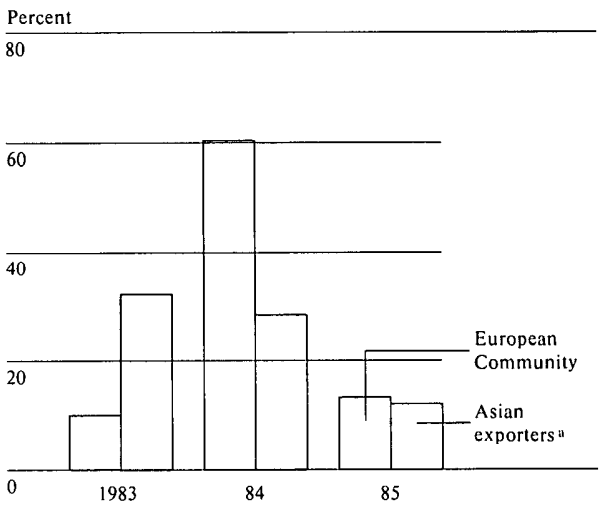
25X1

Aircraft. Government support of the Airbus is a growing source of friction between the United States and the West Europeans. US and West European negotiators met last month to discuss government subsidies to Airbus, although nothing tangible resulted from the discussions. Both sides decided to continue the talks in June. Support practices by participating member governments—France, West Germany, Britain, and Spain—enable Airbus to cut prices and cost of financing to attract customers, making it more difficult for US companies to compete. US companies complain that the terms offered by Airbus violate GATT rules, which prohibit subsidies that adversely affect the trade interest of other signatories. Airbus does not publish income statements or production figures, making it difficult to prove violations.

25X1

Textiles. The Community fears that its rapidly rising textile sales to the United States may become another bilateral trade issue. US textile imports from the EC have risen at a faster rate over the past two years than those from the big three LDC exporters—Hong Kong, South Korea, and Taiwan. The rapid growth in imports is primarily the result of the strong dollar and the trade-diverting effects of US restrictions against LDC suppliers. EC officials argue that a weaker dollar and slower US economic growth this year should alleviate the problem. The EC's textile industry, however, is only beginning to recover from a decade of recession caused by import competition and stagnant

United States: Annual Growth in Textile Imports, 1983-85



a Asian exporters are Hong Kong, South Korea, and Taiwan.

308823 4-86

25X1

domestic demand and is anxious to maintain its exports to the United States. With the negotiations for renewing the Multifiber Arrangement (MFA) just starting, the Community would view any attempt to restrict its textile exports as a setback in its efforts to protect employment in the textile sector. The Community favors renewal of the MFA, although it will probably adopt a more liberal stance than the United States—in part deflecting LDC criticism of developed country protectionism. An EC-US confrontation over textiles could lessen EC willingness to cooperate with the United States on MFA or on the new trade round.

25X1

25X1

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

EC Agricultural Trade Actions Disputed by the United States

The most significant disputes include:

- *Imposition of the CAP variable levy on Spanish imports of corn and sorghum effective 1 March. This measure, adopted for the integration of Spain into the CAP, increases the tariff from 20 percent to a range of 30 to 80 percent, and will affect $600 million a year in US exports. The EC variable levy has not been formally accepted by the United States nor deemed to be legal by provisions of GATT.*

- *Establishment in Portugal of a maximum amount of vegetable oil—except for olive oil—that can be produced for domestic consumption, implicitly limiting oilseed imports. The quota—set at 50,000 metric tons this year—could restrict $238 million of US soybean and sunflower seed exports. It is designed to preclude any sudden change in the price relationship between olive oil and other vegetable oils so that the olive oil surplus does not worsen. A similar arrangement is already functioning in Spain. The EC contends Portuguese imports of oilseeds would not be affected as long as any oil produced from them above the quota amount was reexported.*

- *Requirement for Portugal to import 15 percent of its grain needs from EC countries, including Spain, effective 1 March. This measure is intended to reorient Portuguese imports toward Community countries as Portugal joins the CAP and ends its state grain import monopoly. The United States has in the past supplied virtually all of the market, with exports of $392 million in 1984.*

- *EC preferential tariffs on citrus imports from Mediterranean countries for the purpose of promoting economic development and political stability will cost US citrus exporters an estimated $50 million a year in lost sales to the EC. This dispute concerning preferential tariffs, which has languished for 16 years in the GATT and spawned the recent pasta war, is unlikely to be resolved until the EC completes negotiations with the Mediterranean countries for new preferential agreements, perhaps by this summer.*

- *A total ban on the nontherapeutic use of hormones in EC livestock, effective in 1988, in response to consumer pressures. Imports from non-EC countries could also be affected, depending on enforcement measures, including $100 million of US beef.*

- *An EC directive establishing sanitary procedures for foreign meat packers exporting to the EC, effective for the United States in 1987. US meat exports of $125 million could be affected.*

- *Use of export subsidies to sell grain in world markets. The United States and EC are each filing complaints against the other in the GATT.*

25X1

Outlook

The EC-US enlargement dispute could disrupt the Tokyo Summit and complicate preparations for or even delay the start of the new trade round. The EC is insisting that the fundamentals of CAP not be discussed at the new round and that all agricultural issues, including the use of export subsidies, be limited to one working committee. US countermeasures on 1 May could also push the United Kingdom, West Germany, and Denmark into agreeing to permanent soybean tariffs as a part of the new oilseeds regime. Other EC-US agricultural trade disputes—such as EC preferences for Mediterranean citrus—are likely to be more difficult to solve should the enlargement dispute continue, but are not likely to affect summit deliberations.

25X1

25X1

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

El Salvador: Austerity Program Under Fire

25X1

President Duarte's economic reform plan has come under continued criticism from both the left and the right since it was announced three months ago, but opponents have had little success in mobilizing widespread public support for protests. More demonstrations are likely in the next few months, especially if Duarte enacts additional reforms as expected. The President, however, will probably remain flexible and willing to make compromises as pressures grow.

Duarte's Austerity Initiative

The economic plan—Duarte's first comprehensive package since taking office in June 1984—combines austerity with attempts to protect workers and consumers. In particular, the initial plan froze most government spending, effectively devalued the colon by 20 percent, sharply increased prices for industrial and automotive fuels, and substantially boosted coffee taxes. To blunt consumer reaction, prices of food staples, rents, utilities, public transportation, and medicines were frozen, and stiff penalities for violations of new price and exchange controls were announced.

According to the US Embassy, Duarte showed his willingness to compromise almost immediately after the plan was announced, scaling back increases in gasoline prices and some luxury taxes. Both the President's advisers and the Embassy have said, however, that additional belt-tightening measures—including hikes in food prices and utility rates—will be needed later this spring. the government is considering measures to stimulate exports and production in an effort to address the business community's discontent with the program.

Criticism From the Left . . .

Marxist labor leaders have attempted to use opposition to the plan to politically undermine Duarte, The US Embassy reported that as many as 7,000 participants turned out for a demonstration in February organized in part by the National Unity of Salvadoran Workers (UNTS), a recently formed labor coalition partly controlled by a Marxist labor organization. The protestors demanded not only an end to austerity but also a resumption of dialogue with the guerrillas.

25X1

25X1

25X1

UNTS reportedly is planning additional marches and forums, but such demonstrations have yet to move beyond sporadic protests and have been hampered by the lack of widespread popular support, financial difficulties, and ineffective coordination. In addition, Embassy reporting suggests Duarte's skill in preempting labor issues by making timely compromises also has helped avoid more serious confrontations.

25X1

. . . And From Democratic Labor

25X1

US Embassy reporting indicates Duarte has fared better with the major democratic labor groups, although they also have asked for a softening of the austerity package. A progovernment rally last month by the National Worker and Campesino Union (UNOC)—a recently formed alliance of democratic worker and peasant unions—attracted some 25,000 participants, according to US Embassy estimates. While pledging support for the Duarte administration, demonstrators also demanded lower fuel and food prices. The UNOC also has paid

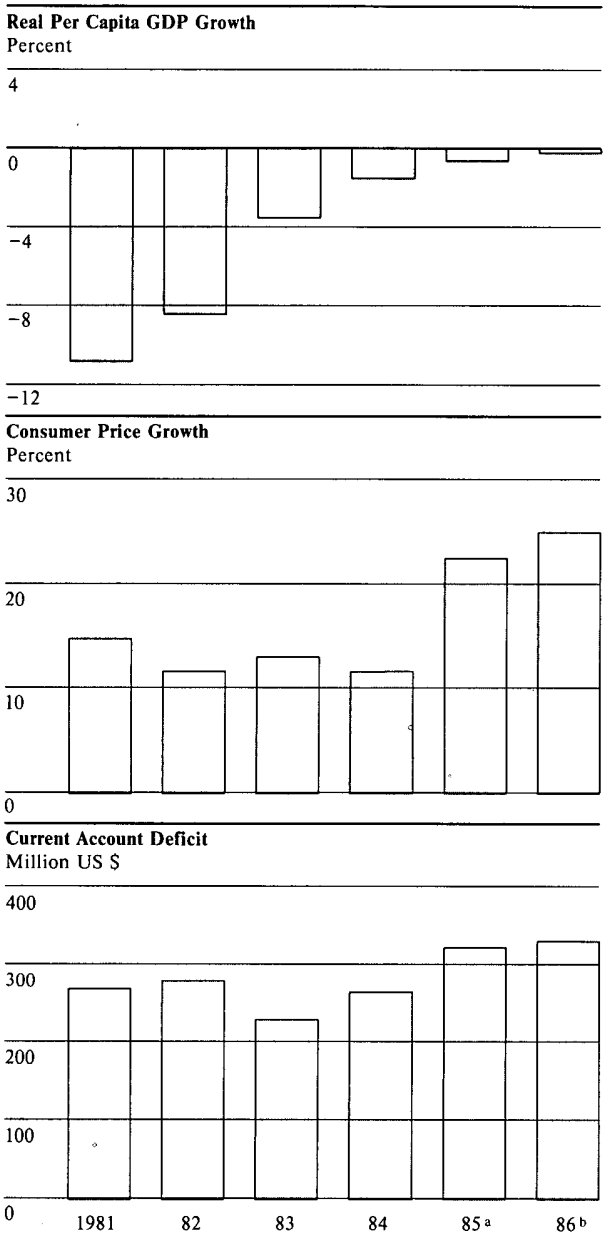
25X1
25X1

25X1

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

El Salvador: Selected Economic Indicators, 1981-86



[a] Estimated.
[b] Projected.

308846 4-86

for advertisements calling for guaranteed prices for both consumers and farmers, increased minimum wages for all workers, and more effective price controls.

25X1

Flagging Private-Sector Confidence

Business leaders and organizations also have criticized the program, asserting that the package lacks production incentives and perpetuates excessive government interference in the economy. Officials of a San Salvador–based metals fabrication firm report, for example, that their regional business has plummeted because of uncertainty about their ability to import crucial raw materials.

25X1

25X1

Outlook

We believe both moderate and leftist unionists will continue to snipe at Duarte's package, but with different goals. For its part, UNOC is likely to believe that its credibility as an independent organization depends on its ability to win concessions from the administration. UNOC has been criticized by both the left and the right, for example,

25X1

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

for its close ties to the ruling Christian Democrats, and has lost some popular backing because of accusations of support for the austerity program.

25X1

In our judgment, the leftist-dominated UNTS believes that any concessions won from demonstrations are secondary to the longer term political goal of furthering the insurgency. While we believe more leftist-inspired protests are inevitable, we do not believe these unions currently have sufficient support from either their rank and file or the population to launch and sustain a general strike or widespread work actions.

25X1

The US Embassy reports that Duarte's advisers are continuing to press for improved communications with the private sector, but we believe that prospects for any near-term reconciliation are poor. In our judgment, the business community's deeply ingrained suspicions of Duarte's populist style and the perceived antibusiness posture of the ruling Christian Democrats leave business with little room for compromise. Even if San Salvador enacted a package with incentives demanded by the private sector, as reportedly is being considered, we believe businessmen probably would wait for a year or so to see the changes fully implemented before revising their gloomy assessment of the economic climate.

25X1

Despite challenges to his austerity program, we believe President Duarte probably will be able to continue balancing economic demands with additional revitalization efforts. He retains a good deal of popular support and the backing of the military. Nonetheless, even if the economic package survives this round of protests intact, its overall impact on the economy probably will not be sufficient to restore business or foreign investor confidence in the near term.

25X1

25X1

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

25X6

25X1

Page Denied

Next 2 Page(s) In Document Denied

25X1

25X1

25X1

25X1

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Peru: Continued Footdragging on Debt

25X1

President Garcia faces the prospect of managing Peru's debilitated economy without foreign credit. Despite recent minor adjustments in Peru's debt policy, we doubt Garcia is prepared at this juncture to make the concessions necessary to reach an accommodation with foreign creditors. His attempts to buy time in order to boost foreign exchange reserves could backfire, particularly if he underestimates creditors' reactions.

25X1

Debt Policy Under Garcia

Garcia believes that many of the problems burdening Peru—and the region in general—result from alleged Western economic exploitation of the Third World, and he sees the debt as an impediment to progress on social and economic reforms. Moreover, Garcia is keenly aware that he tapped into a wellspring of nationalism with his public promises last year to limit debt payments to 10 percent of export earnings and not to deal with the IMF. His resolve not to accept an IMF program was underscored last October in Seoul when Finance Minister Alva Castro rejected a proposal for an IMF technical team visit to Lima, thereby delaying an economic review by the Fund for six months.

Lima's payment strategy has favored those willing to provide new loans, namely multilateral institutions (not including the IMF) and some government donors. As a result, nearly 30 percent of Peru's actual debt payments went to international organizations such as the World Bank and Inter-American Development Bank in 1985, while most of the remainder settled regional obligations and food import bills.

Last year, Garcia's intransigence bought his government time to gather information on the negotiating strategies of other Third World debtors, explore innovative debt repayment schemes, and boost foreign exchange reserves.

25X1

Peru tried—apparently without success—to interest Western bankers in arrangements similar to Lima's payments-in-goods agreement with the USSR. By the end of 1985, the limit on debt repayments, combined with a freeze on dollar accounts and lower profit remittances by foreign oil companies, had pushed exchange reserves up 62 percent since July to $1.5 billion—enough to finance nine months of imports.

25X1

25X1

25X1

25X1

25X1

25X1

25X1

Peru's Debt Profile

Peru's external debt to Western creditors totals $12 billion, less than 5 percent of Latin American debt. About $5.6 billion represents medium- and long-term obligations owed to private creditors primarily at floating rates; the other $6.4 billion is owed to official creditors primarily on fixed repayment terms. US bank exposure is about $1.8 billion of total debt, including 30 to 35 percent of Peru's $250-300 million short-term credit lines. Peru's debt to the Soviet Bloc, which willingly accept goods as payment, amounts to approximately $2 billion.

25X1

25X1

The private sector is current in servicing its obligations—$400 million a year—which do not fall under President Garcia's 10-percent debt service ceiling. At the end of 1985, however, the public sector was about $1.5 billion in arrears to Western creditors. Western bankers received the last interest payment in May 1985 under the Belaunde administration. Moreover, Lima has yet to sign its 1984 commercial bank or Paris Club rescheduling agreements.

25X1

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Peru: Balance of Payments, 1981-86

Million US $
(except where noted)

	1981	1982	1983	1984	1985 [a]	1986 [b]	
						Peruvian Government	CIA
Current account balance	−1,723	−1,613	−875	−253	−187	−265	−630
Trade balance	−553	−428	293	1,007	1,113	1,073	710
Exports, f.o.b.	3,249	3,293	3,015	3,147	3,037	3,062	2,700
Of which:							
Copper	529	460	443	442	489	489	490
Oil	692	719	544	548	664	464	400
Nontraditional	701	762	555	726	770	770	770
Imports, f.o.b.	3,802	3,721	2,722	2,140	1,924	1,989	1,990
Net services and transfers	−1,170	−1,185	−1,168	−1,260	−1,300	−1,338	−1,340
Interest [c]	−721	−713	−828	−632	−610	−470	−470
Capital account balance	1,117	1,744	1,384	1,232	675	1,011	1,000
Of which:							
Direct investment	125	48	38	−89	− 68	NA	40
Amortization	1,520	1,106	1,239	1,758	1,359	1,415	1,415
Net borrowing	302	855	1,294	1,010	600	400	300
Short-term capital, errors and omissions	389	544	−552	−735	−442	0	0
Foreign exchange reserves [d]	1,200	1,350	1,365	1,630	1,493	1,478 [e]	1,475
Total debt	10,230	11,340	12,442	13,408	13,706	14,100	14,100
Debt service ratio *(percent)*	69	55	69	76	65	62	70
Debt as a share of GDP *(percent)*	51	56	77	79	80	79	79

[a] Estimated.
[b] Projected.
[c] Scheduled interest payments minus arrears.
[d] Yearend, excluding gold holdings, as reported in the IMF's *International Financial Statistics*.
[e] As of 7 February 1986.

25X1

Creditor Pressures

Garcia's anti-US and anti-IMF rhetoric and his generally confrontational approach to the debt issue have strained relations with Western creditors and increasingly isolated Peru from international lenders:

- In January 1986, private creditor banks insisted on a $120 million interest payment before the end of April to convince them that Peru intends to address promptly and seriously its external commercial bank debt.
- The World Bank has informed Peru it will cut off new loans unless Lima pays $140 million in arrearages to the IMF by mid-April.

25X1

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

- Trade credit available to the government is nearly zero, while that for the private sector has fallen 50 percent—to about $125 million—since July 1985, according to the US Embassy.

25X1

Garcia's Response

Faced with dwindling foreign loans and credits, Garcia made several concessions in early 1986, authorizing a symbolic payment to the Fund and some payments for operating expenses to commercial bankers. Nonetheless, at the end of January,

Peru rolled over $960 million of short-term debt for the second time since he took office in July 1985.

25X1

Lima's lack of a coordinated policy to address the debt problem reflects, in part, disagreements between Garcia and his advisers:

- Prime Minister Alva Castro and Foreign Minister Wagner have sought to maintain cordial relations with creditors

Peru: Service of the Public External Debt Due, 1985-86

Million US $

	1985 Payments			Payments Due
	Scheduled	Actual	Arrearages	in 1986
Total	**3,196**	**617**	**2,579**	**2,119**
International organizations	174	171	3	221
Western governments and agencies	410	43	367	273
International banks	1,280	133	1,147	737
Communist countries	284	170	114	252
Suppliers	1,048	100	948	636

25X1
25X1

oil prices reduce export earnings at least $200 million from last year's $3 billion level

25X1

Unemployment and underemployment will remain close to 70 percent, and inflation will probably reach the three-digit level in 1986. Continued price controls will discourage domestic production and lead to more black-market activity and sporadic food shortages.

25X1
25X1
25X1
25X1

Over the next several months, we expect Garcia to continue his current delaying strategy of making occasional conciliatory but largely emptyhanded gestures toward Peru's creditors. He will probably lobby for more time to work out differences with creditors.

25X1

As economic problems deepen, however, Garcia may be persuaded that he cannot maintain a politically acceptable level of economic performance without Western aid, trade, and investment. Even so, Garcia would probably pay arrearages only to favored lenders, because he wants to use foreign exchange to purchase essential imports—including food—and to improve social welfare, according to the US Embassy.

25X1

Outlook for the Remainder of 1986

Peru's economic performance is not likely to improve dramatically in 1986. GDP growth probably will be slightly above last year's 2-percent rate, reflecting government stimulative measures. The current account deficit will worsen in 1986 as lower

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Relations With the United States

The outlook for a near-term improvement in Peru's economic relations with the United States is bleak. Lima's import controls will constrain US exports to Peru in 1986, continuing the 1985 downturn. Peru, moreover, has jeopardized approximately $58 million in US aid previously scheduled for disbursal in fiscal year 1986 because of persistent payment arrearages. [redacted] 25X1

Problems persist over the nationalization of a US oil company in late 1985, which may lead to economic sanctions if Lima fails to adequately compensate for the expropriation. President Garcia also has indicated he intends to review the profit-sharing practices of a US copper firm. Relations with the United States might sour further if Peru's overtures to the financial community are rebuffed and creditors threaten punitive action. If such confrontational developments occur, Garcia might repudiate the debt or make new moves against US interests in Peru. [redacted] 25X1

[redacted] 25X1

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Czechoslovakia: Modest Economic Plan for 1986-90

25X1

Czechoslovakia's five-year plan, approved by the party congress last month, calls for a closer relationship with the Soviet Union, which in our view will limit the economy to slow growth at best. The plan entails closer cooperation with the Soviets on natural gas sales and nuclear power development that will help Prague shift from coal and oil consumption. Increased Soviet trade demands could hamper Prague's effort to achieve its modernization and growth targets. The leadership continues to accord a low priority to trade with the West and appears unwilling to introduce reforms that would make the economy more efficient. As a result, the economy is likely to experience continued slow growth, and the regime will face the difficult decision of scaling back its modernization program or making politically risky cuts in consumption.

25X1

The Record in 1981-85

The economy's mediocre showing over the 1981-85 plan period—GNP rose at an average annual rate of 1.5 percent—resulted at least in part from the leadership's orthodox policies. Prague's conservative approach to foreign borrowing limited imports of Western technology needed to modernize the capital stock. Indeed, total investment in real terms declined nearly 2 percent in 1981-85 from the previous five-year period. Czechoslovak productivity stagnated and exports became increasingly uncompetitive, forcing a growing share of foreign trade to CEMA countries. A modest reform program introduced in 1981, called the "Set of Measures," was gutted by conservative ideologues in the leadership and effectively ignored at lower levels.

Czechoslovakia: Key Growth Rates, 1981-90 *Percent*

	1981	1982	1983	1984	1985	1986-90 Plan [a]
National income	−0.1	0.2	1.3	3.5	3.3	3.5
GNP [b]	−0.5	2.0	1.5	2.7	1.7 [c]	2.7 [d]
Industrial production	2.1	1.1	2.8	3.8	3.4	3.1
Machine building	NA	1.5	2.2	2.6	2.3	4.0
Electronics	NA	4.8	8.4	12.2	8.0	10.0
Investment	−4.6	−2.3	0.6	−4.2	6.5	2.2
Labor productivity	−0.6	−0.4	1.4	2.8	2.6	3.3

[a] Average annual growth rates implicit in announced five-year plan goals except for investment, which is an annual average rate.
[b] GNP in Western accounting will usually register a lower growth rate than national income in Marxist accounting. Western accounts remove distortions of turnover taxes in prices and include sectors left out of Marxist accounts such as housing, government, finance and banking, education, health, recreation, and consumer and business services. These "unproductive" sectors grow more slowly and thus lower the overall GNP growth rate.
[c] Preliminary.
[d] Approximate GNP equivalent to the plan for national income.

25X1

The Plan: More Reliance on Technology

Growth in 1986-90 is keyed to productivity improvements. National income is planned to increase by 18 percent by 1990 while raw material inputs remain constant. Investment is to increase 10 to 12 percent over the 1981-85 level with expenditures targeted at improving efficiency in the use of raw materials and at modernizing Czechoslovakia's in-

25X1

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

dustrial base. Highest priority will go to the machine-building and electronics industries, which are to expand output by 22 and 60 percent, respectively. Raw-material-intensive metallurgical industries are to be scaled back.

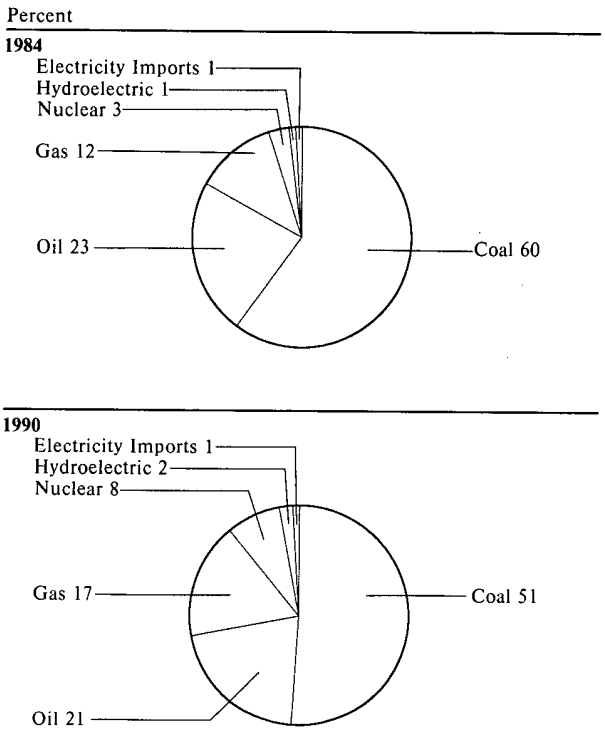
Trade Ties To East Strengthen

In response to Soviet pressure to expand intra-Bloc trade and cooperation, the plan calls for trade with CEMA and other Communist countries to grow by 22 percent by the end of the decade. In 1985 Czechoslovakia conducted a record 79 percent of its total foreign trade with CEMA and other Communist nations and was more dependent on such trade than any other country in Eastern Europe. Czechoslovakia is looking particularly to participation in CEMA's Complex Program for Technical Progress Until the Year 2000—a Soviet initiative to promote CEMA self-sufficiency and technological modernization—to give impetus to its development of advanced technology.

Prague has indicated an interest in importing more Western technology, but the difficulty of paying for hard currency imports and its reluctance to incur debt will keep the Western share in trade small. The government approved the formation of joint ventures in August 1985, but plans to keep commercial links to the West limited.

The Soviet Union is Czechoslovakia's most important economic partner, accounting for 46 percent of 1985 foreign trade. The new five-year plan stresses the importance of even closer Soviet trade ties, especially in Czechoslovak machinery exports. Prague also will participate in Soviet natural gas projects such as the Yamburg-Uzhgorod pipeline and the Karachaganak gas production facility in the Ural Mountains. Cooperation with the USSR will be crucial to Czechoslovakia's planned transition away from coal and oil to natural gas and nuclear power. Most Soviet technical assistance to Czechoslovakia in the coming five years will go to develop nuclear power, which is slated to provide 28 percent of Czechoslovak electricity needs and 8 percent of total energy consumption by 1990. In

Czechoslovakia: Structure of Energy Consumption[a]



[a] Primary energy consumption, measured by caloric equivalents, plus electricity imports.

308799 4-86

return for assistance on natural gas projects, the Soviets will increase gas deliveries to Czechoslovakia by nearly 50 percent, to 15.4 billion cubic meters annually by the end of the decade.

The Soviets have assured Prague that they will maintain current oil deliveries, which represent 42 percent of the value of Czechoslovak imports from the USSR and account for 95 percent of the Czechoslovak oil supply. Nevertheless, the desire to

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

maintain hard currency earnings in the face of falling world oil prices and production problems in the Soviet oil industry may tempt Moscow to reduce oil deliveries. Czechoslovakia does not presently benefit from the fall in oil prices because Soviet oil prices are pegged to a five-year average of world prices. Lower oil prices eventually will improve Czechoslovakia's terms of trade.

According to a source of the US Embassy, the Czechoslovaks may be overcommitted to participation in Soviet resource development projects. The source claims that Czechoslovak commitments exceed the capacity of the economy to meet domestic targets, and that five-year plan goals will have to be rewritten after 1986 to be reconciled with Soviet demands. Czechoslovak officials are generally reluctant to discuss Soviet economic pressure—the Soviets can still exert a claim for increased exports to repay Prague's ruble debt run up over the past decade. Their dependence on Soviet trade leaves them little room to maneuver. Moscow probably would stop short of demanding total compliance, however, if it required crippling austerity measures that could undermine the stability of one of its most faithful leaderships in Eastern Europe.

Stalling Consumer Welfare

Czechoslovakia's leaders have maintained political stability since the "Prague Spring" and subsequent Warsaw Pact invasion in 1968 in part by supporting living standards, which are among the highest in Eastern Europe. During the 1970s, consumption grew at a comparatively rapid pace and was maintained at the expense of investment during the economic slowdown of recent years. While the relatively high rate of consumption has promoted domestic stability, its long-term effect has been the obsolescence of capital stock. The leadership may now feel more confident in its ability to maintain control given the muted popular reaction to stagnating living standards and may not feel that maintaining consumption is as important to domestic stability as it once was. Goals for improving the population's standard of living in the coming five years are modest.

Limited Prospects for Reform

The Czechoslovak leadership has rejected decentralization of economic authority for fear it would encourage political decentralization as well. Limited implementation of market-oriented economic reforms was forerunner of the Prague Spring of 1968. The new Soviet leadership may push Prague to introduce significant changes in economic management, but the signals so far have been mixed. The draft plan and public rhetoric before and during the congress have stressed increased discipline, efficiency, and improved central planning as the keys to improved economic performance. Premier Strougal, in his report to the congress on the plan, advocated some minor reforms, but these proposals, reminiscent of the "Set of Measures," were accompanied by calls to strengthen the role of the central plan. Strougal's proposals, moreover, received little support from other speakers at the congress. In the absence of any real commitment by the leadership, reform in Czechoslovakia seems elusive.

25X1

25X1

Outlook

25X1

The Czechoslovak leadership is not introducing any significant departures from the policies it has pursued over the past few years. Under these conditions, the most Prague can reasonably hope for is to sustain the 1983-85 recovery through 1990. This would still leave them short of key targets for national income and labor productivity. The leadership's stress on modernizing production relies more on exhortation than on concrete measures. Czechoslovakia is not willing to incur the hard currency debt that Western technology imports would require or to introduce structural reforms necessary for increased economic efficiency.

25X1

The regime probably will have to make some hard choices over the next several years in responding to competing demands for increasing investment, improving living standards, and meeting Soviet requirements for more and higher quality goods. The

25X1

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

leadership will be under particularly strong pressure to satisfy Soviet demands and probably will accord the highest priority to them. It also appears committed to meeting its investment targets. Gains in consumption, therefore, are likely to fall short of plan. 25X1

The 1986-90 five-year plan's emphasis on CEMA suggests Czechoslovakia is resigned to playing an even smaller role in international trade. Prague's plans for further integration with the Soviet economy probably will secure important energy supplies and a market for machinery and electronics exports. While this tight integration into CEMA probably limits Czechoslovakia to slow growth, Prague may be satisfied with a relatively strong economic performance by East European standards. 25X1

25X1

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Briefs

Energy

OPEC Meeting

[redacted] 25X1

[redacted] The members have made little progress on measures to limit OPEC production since last month's meeting, and some officials believe that a session next week would be unproductive. Saudi Arabia remains hesitant to promote a dialogue and appears content with the oil market's present course. OPEC's regularly scheduled semiannual meeting is set for June. OPEC crude oil production during March dropped by 800,000 b/d to 17.7 million b/d. Slight increases in output from Indonesia, Kuwait, Nigeria, and Venezuela were more than offset by declines from Saudi Arabia and Iran. Saudi output reportedly fell because of market competition and is expected to rebound in April after Riyadh renewed several netback contracts. Iran has refused to renegotiate prices on some of its contracts and appears content to lose sales temporarily as part of its efforts to shore up prices. 25X1

[redacted]

OPEC: Crude Oil Production, 1986

Million b/d

	Quota	January	February	March	First Quarter
Total	**16.0**	**17.4**	**18.5**	**17.7**	**17.9**
Algeria	0.66	0.7	0.7	0.7	0.7
Ecuador	0.18	0.3	0.3	0.3	0.3
Gabon	0.14	0.2	0.2	0.2	0.2
Indonesia	1.19	1.3	1.2	1.3	1.3
Iran	2.30	2.4	2.5	2.0	2.3
Iraq	1.20	1.7	1.7	1.7	1.7
Kuwait [a]	0.90	1.1 (0.9)	1.2 (1.0)	1.3 (1.1)	1.2 (1.0)
Libya	0.99	1.1	1.0	1.0	1.0
Nigeria	1.30	1.2	1.5	1.7	1.5
Qatar	0.28	0.3	0.3	0.3	0.3
Saudi Arabia [a]	4.35	4.3 (4.1)	4.9 (4.7)	4.3 (4.1)	4.5 (4.3)
UAE	0.95	1.2	1.4	1.4	1.3
Venezuela	1.56	1.6	1.5	1.6	1.6

[a] Amount in parentheses excludes production from the Neutral Zone, whose output is divided between Saudi Arabia and Kuwait and included in their country quotas; the Neutral Zone has no production quota of its own.

[redacted] 25X1

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Spot Oil Price Developments

The spot oil market continues to be volatile, with prices fluctuating by as much as $2 per barrel per day in recent weeks. Continuing high worldwide production and concern over the downturn in demand this spring led some spot crudes to trade temporarily below $10 per barrel early last week. News of the Norwegian oil workers' strike—and the loss of 900,000 b/d of production—temporarily boosted prices. Some of the gain, however, was erased later this week, reflecting weak underlying market conditions. By midweek, key North Sea and US crudes were selling in the $12-14 per barrel range. 25X1

Norwegian Oil Industry Strike Halts Output

Oslo's refusal to intervene in a strike that has halted Norway's oil production of 900,000 b/d could help the government temporarily deflect OPEC criticism of its production policy. The offshore caterers' union struck over wages last Saturday, after which the employers locked out all other offshore oil workers. Oslo has usually moved quickly to end strikes by offshore oil workers, but with OPEC slated to meet next week, the government may be more inclined this time to tolerate a short-term fall in output. Oslo is probably also concerned that achieving a quick settlement by dictating concessions to striking workers would affect wage negotiations in progress with other offshore unions and prove too costly to producers already squeezed by falling prices and revenues. A strike lasting several weeks could temporarily shore up oil prices. The Willoch government, however, would want to avoid the loss in revenues that a prolonged stoppage would entail, and it would probably not be prepared to stand aside much beyond next week. 25X1

Possible Soviet Oil Discovery in Barents Sea

It appears that the Soviets have made their first major oil discovery in the Barents Sea. 25X1 extensive oil exploration on the east coast of Kolguyev Island, in the southeastern Barents Sea. 25X1 23 completed or nearly completed wells and nine operating oil rigs along a 25-kilometer stretch of coast. In addition, the Soviets have conducted seismic surveys onshore and in nearby offshore areas. The number and size of the drilling rigs in operation indicate that the Soviets are measuring the field. If the Soviets continue to move quickly, commercial oil production is possible as early as 1990. Geological analysis of this complex region suggests that substantial amounts of oil are likely to be found there and in other locations throughout the Barents Sea. 25X1 25X1

New Algerian-French LNG Pricing Agreement

Algiers and Gaz de France have agreed on a new LNG pricing formula for second-quarter deliveries that slashes the price for Algerian gas by nearly 40 percent. Embassy reporting indicates that, although the agreement covers only second-quarter sales, Algeria's retreat from its previous hardline pricing policy augurs well for full contract negotiations set to begin in early June. Algiers is facing a loss of as much as 50 percent of its export earnings—hydrocarbons sales account for 98 percent of total receipts—and probably believes it has no

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

choice but to temporarily reduce LNG prices as long as oil prices continue to fall. Algeria's other LNG customers in Europe are closely following French developments, although Spain and Italy are more concerned with reducing the volume of gas imported than the price. 25X1

International Finance

The OECD Export Credit Issue

No agreement yet exists among Export Credit Arrangement members concerning Chairman Wallen's proposal to increase control over the use of tied aid credits, according to US Embassy reporting. Switzerland and Japan—countries with low interest rates—object to the proposed differentiated discount factor, which would calculate on the basis of domestic interest rates the grant element for tied aid credits; currently, all countries use a 10-percent discount factor. The new formula would reduce the calculated aid portion provided by low interest rate countries. Tokyo believes the new method would make it too difficult to reach its goal of doubling Official Development Assistance by 1992. On the other hand, the EC has announced its mandate to eliminate tied aid credits for relatively rich countries, increase immediately the current 25-percent minimum grant element to 50 percent for the poorest countries, and increase the minimum to 35 percent for other countries by May 1987. The mandate is close to the US-EC compromise that nearly succeeded at the Export Credit meeting last month. The EC also has agreed to the new discount factor as a concession to France and Italy—countries with high interest rates—to offset the cost of increased tied aid requirements. OECD representatives are scheduled to meet on 16 April to try to achieve a consensus, although the issue probably will surface at the Ministerial that begins 17 April. 25X1

Moroccan Debt Rescheduling Delayed

The April meeting between Morocco and its commercial creditors to discuss the rescheduling of 1985-86 debt payments has been postponed indefinitely. Bankers are unwilling to hold further discussions until Morocco provides additional budgetary information as part of its request for $200 million in new aid. Commercial creditors believe that lower oil prices and interest rates should allow Rabat to institute further austerity measures to bring its finances in line. The IMF, while supporting Rabat, insists that any financial windfall from reduced oil prices or interest rates should be used to bolster nearly depleted foreign reserves rather than to pay bills. 25X1

25X1 if the rescheduling is not resolved quickly, Rabat will have to make payments selectively and will fall further in arrears to official creditors and other benefactors. 25X1

Costa Rican Debt Woes

Costa Rica last week lost access to $20 million in IMF standby funds after failing its third consecutive quarterly review, further undercutting its ability to meet pressing debt service obligations. According to the IMF program, debt arrearages should have been eliminated by 31 March, but they now stand at about $100 million Unwilling- 25X1

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

ness to clamp down on import demand has caused debt arrearages to grow by $40 million during the first quarter of this year alone. Meanwhile, Costa Rica's failure to reform tariffs and freeze public-sector hiring is holding up a $40 million disbursement of a World Bank structural adjustment loan.

[redacted] 25X1

Although negotiations with the IMF for a new arrangement are already set for late this month, no new accord can be expected before August [redacted] 25X1

[redacted] 25X1

International Trade

Japanese Trade Policy Offerings

Prime Minister Nakasone—in his visit to Washington this weekend—will stress the recommendations of the Maekawa Commission, his private study group on trade policy, which were released on Monday. Nakasone has already pledged to adopt the report's themes: that Tokyo set a national goal of steadily reducing its current account imbalances and move to implement measures designed to wean Japan from dependence on export-led growth. The Prime Minister, who also wishes to have the commission's work endorsed by the Tokyo Economic Summit in May, plans to announce specific measures by the end of April. Despite attempts to sell the recommendations as an historic about-face for Japanese economic policy, we believe Tokyo sees the report more as a tactic to divert the attention of its summit partners away from short-term measures that might ease the trade imbalance. The commission's findings—general and long-term in nature—break little new ground. The omission of numerical goals for the current account surplus, moreover, will make it difficult to evaluate Tokyo's progress. The key test of how seriously Tokyo takes the group's recommendations comes this summer as the Cabinet begins to debate tax reform and the 1987 budget. Sharp cuts in personal income tax rates, the elimination of tax-free small savers' accounts, and a major increase in public works spending—likely items on Nakasone's implementation list—all face strong political opposition. [redacted] 25X1

China Buys US Lumber

China recently purchased 4 million board feet of finished US lumber—only the third such purchase since 1978—and further lumber purchases reportedly are being discussed. In the past, China had vigorously resisted US lumber marketing efforts, preferring instead to import logs mainly because their sawmills employ a large number of workers and produce waste used in other products. Prospects for further purchases look bright. The purchase of one shipload of finished lumber in lieu of more than two shiploads of raw logs probably is more attractive now because of China's limited foreign exchange supply. Moreover, a switch from raw logs to finished lumber could reduce by more than half the number of wood-carrying vessels arriving in China's severely congested ports. Moreover, lumber can be carried on container or general cargo ships, whereas over 90 percent of the specialized log carriers only have cargos on one leg of the trip. Finally, China's sawmills reportedly have a backlog because the Soviets—who market a lower grade log—had overdelivered on last year's log contracts. [redacted] 25X1

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Negotiating a New MFA

At the 4-8 March meeting in Beijing of LDC textile exporters, Uruguay's delegation reportedly argued for accepting the inclusion of new fibers under the Multifiber Arrangement (MFA) in exchange for eliminating other categories and increasing growth rate flexibility. Uruguay believes that LDCs cannot be too resistant to increases in coverage when several have already agreed to include new items in bilateral agreements with developed country importers. Nonetheless, South Korea and India were adamantly opposed.

25X1

Global and Regional Developments

Arianespace Pushing Space Launch Services

Arianespace has begun an aggressive campaign to attract customers booked on the US space shuttle who currently face launch delays of at least two years. Intelsat has become the first customer to switch

25X1

The European launch service is now offering up to eight additional launch slots through 1988 from a combination of unsold slots on the untested Ariane-4, delays of previously booked European satellites, and the production of additional launch vehicles. The delay of three West European satellites to accommodate potential US customers shows the high priority Arianespace continues to give to capturing US business. The ability to schedule more launches, however, will be limited by a longer-than-expected launchpad turnaround time, by the need for a test program for the Ariane-4, and by the difficulty of increasing launch vehicle production over the next two years. At most, we believe Arianespace could build and launch two additional launchers through 1988.

25X1

25X1

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Multifiber Arrangement Negotiations

Members of the GATT Textiles Committee now appear prepared to negotiate specific aspects of the Multifiber Arrangement (MFA), according to US representatives in Geneva. At a meeting of the committee last week, the EC supported progressive MFA liberalization but also reserved its right to take appropriate actions to restrain trade. Textile-exporting countries supported free trade through higher growth rates, generous flexibility provisions, and fewer quotas in bilateral agreements. Brazil, India, Colombia, South Korea, and Hong Kong linked MFA talks to progress on the new GATT Round discussions. India continued to demand that textiles trade be returned to GATT rule. The United States' position on growth, new fibers, and antimarketing distorting measures drew fire from LDC exporters and selective support from Canada, Austria, and the EC. [redacted] 25X1

SAARC Seeks Unified Economic Positions

Following a two-day meeting in Islamadad in early April, the finance and commerce ministers from the South Asian Association for Regional Development (SAARC) member countries—India, Nepal, Maldives, Pakistan, Bangladesh, Bhutan, and Sri Lanka—adopted a 16-point declaration urging industrialized nations to improve the economic conditions of developing countries. The points adopted by SAARC include a call for developed countries to reschedule Third World debt and fulfill their pledge to contribute 0.07 percent of their GNP for development assistance. The ministers, however, failed to reach an agreement on regional trade, the major reason behind SAARC's formation. Until the organization is strong enough to overcome serious bilateral economic issues, such as opening markets to neighboring countries, it is likely to focus on topics dealing with the more general plight of LDCs. [redacted] 25X1

National Developments

Developed Countries

Japan Announces Pre-Summit Import Promotion Plan

Tokyo's repeated fear of being assailed at economic summits for its trade policies appears to have prompted the Trade Ministry's recent announcement that Japan will conduct a campaign to promote imports, scheduled to take place before this year's 4-6 May summit. The three-week campaign, undertaken at Prime Minister Nakasone's request, aims to boost purchases by more than $115 million; 118 Japanese retailers will participate in the scheme. The campaign's timing as well as Japanese anxiety over potential criticism suggest the plan is a public relations effort rather than a genuine attempt to alter Japanese buying habits. [redacted] 25X1

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

[redacted]

25X1

Israeli Government Aid to Ailing Enterprises

In a move that precipitated the current coalition crisis, the Israeli Cabinet recently approved a $350 million aid package for several failing Israeli enterprises. The package, consisting of rescheduled loans, new lending, and some grant aid, will primarily benefit a large construction firm and the national health insurance fund, both owned by the Histadrut labor federation. The plan also will allow other private construction companies to issue long-term credits and grants a $30 million emergency loan to cotton growers. These, and a large number of other Israeli enterprises, are reportedly failing, in part because of the sudden replacement of government long-term development credits with short-term commercial credits at high interest rates. The aid package was opposed by Finance Minister Modai, who pressed for more growth-inducing moves. Modai later made disparaging public remarks about Prime Minister Peres's economic policies—remarks that quickly led to Peres's call for Modai's resignation and to the coalition crisis. [redacted]

25X1

New French Austerity Measures

The new French Government used last weekend's realignment of the European Monetary System to announce new austerity measures to help fight inflation and liberalize the economy. Finance Minister Balladur announced spending cuts of about 1.5 percent and said the government would try to hold money supply growth to 5 percent this year. The government will continue the Socialist program of reducing price controls by eliminating most of the remaining controls on industrial prices. Exchange controls also will be modified: exporters will no longer be required to repatriate earnings, importers will be allowed more freedom in prearranging payment, and resident firms will be allowed to engage freely in direct investment abroad. Paris is expected to announce further details and additional policy changes in the next month. In addition to a privatization strategy, further measures will probably include a small tax cut and perhaps a complete dismantling of the price control system. [redacted]

25X1

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

[redacted] 25X6

Less Developed Countries

Mexican Private Businesses Financially Squeezed

Declining oil revenues are causing Mexican state corporations to suspend payments to private domestic suppliers, aggravating private businessmen's already severe financial problems. According to the US Embassy, heavy government borrowing to cover public-sector operating expenses has caused a domestic credit shortage, with virtually no bank lending to the private sector. Moreover, domestic demand has slackened significantly during the past several quarters, leaving businessmen with large inventories and reduced profits. National business groups, concerned about the impact of the payment suspension on already weakened commercial enterprises, are threatening a moratorium on taxes and loan payments to government banks unless public enterprise payments are resumed. [redacted] 25X1

Deindexation Wreaks Havoc on Brazilian Banks

Brazil's economic stabilization package announced on 28 February is seriously disrupting the country's financial system and forcing the banking sector to undergo a major restructuring [redacted] Until recently, Brazilian banks reaped huge profits, in spite of high fixed costs, by investing considerable cash balances in indexed securities that guaranteed high returns. The stabilization package's end of indexation for financial transactions, however, caused bank profit margins to decline [redacted] Observers in Brazil and in the international banking community believe Brazilian banks will be forced to close many of their 15,000 branches and lay off as many as 100,000 of their 800,000 workers to remain solvent. The activist bank workers union will probably take to the streets in protest and offer stiff opposition to such cost-saving moves. Moreover, government budget austerity would clash with Brasilia's willingness to bail out failing banks or to dole out large amounts in unemployment insurance. [redacted]

25X1
25X1
25X1
25X1
25X1

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Chile Developing Isolated Southern Region

Construction has begun on a $20 million loading port to service the huge Pecket coal deposit north of Punta Arenas, according to the Chilean press. Most of the coal is destined for a thermoelectric power plant at Topocilla in northern Chile operated by the state-owned copper company, CODELCO. The mine and port facilities will have a total capacity of 1.5-2 million metric tons per year and are scheduled to be operational by 1987. In another major project in the far south, construction has begun on a methanol plant designed to take advantage of the abundant natural gas of the Magallanes region. The plant will produce 750,000 tons of methanol per year and should be completed in two to three years. The Chilean and Argentine petroleum companies are also discussing the possibility of joint exploitation of oil fields in Argentine waters east of the entrance to the Strait of Magellan. The economic development of the south should prove a major economic boon for Chile, cutting imports of petroleum by substituting domestically produced coal, developing already documented oil resources with Argentina, and increasing export earnings from methanol. 25X1

Disastrous Floods in Bolivia and Peru

Flooding of Lake Titicaca and surrounding rivers over the past six months has left over 470,000 peasants homeless in Bolivia and Peru, according to the US Embassy. Floodwater damaged nearly 50,000 dwellings as well as roads and railroads. La Paz and Lima have declared a state of emergency in several departments to address the local effects of the disaster; nevertheless, Bolivia and Peru lack the financial resources necessary to meet the needs of the victims, and La Paz has publicly asked for more foreign aid. Although the flooding affected over 150,000 hectares of farmland, it will not have a significant effect on the coca crop or on agricultural output in either country, because anticipated losses are small in relation to total crop production. 25X1

Hong Kong Tightening Control Over Troubled Banking Industry

The Hong Kong Government is enacting a new banking law to end a string of small bank failures that have afflicted the colony over the last several years. The new law will require all banks to maintain a reserve ratio of at least 5 percent beginning in 1988. It will also prohibit financial institutions from lending more than 25 percent of their capital to a single borrower. The new law comes on the heels of the failure of two banks that were rescued privately with government backing earlier this year. In both cases, however, the government received widespread criticism from the business community for using Hong Kong's foreign exchange reserves to guarantee questionable loans these banks had made. The Hong Kong Government has been anxious to prevent banks from collapsing because it fears that a chain of bankruptcies would undermine Hong Kong's economic stability. The new law should place Hong Kong's banking industry on a more stable footing, but stricter enforcement powers given to the bank commissioner could be abused by future regulators. 25X1

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Indonesian Current Account Results

Finance Minister Prawiro announced recently that the current account deficit for the 1985 fiscal year that ended on 31 March was $2.1 billion—slightly higher than the $2 billion deficit recorded a year earlier—according to US Embassy reporting. Sharply lower oil prices since last January have caused foreign exchange earnings to drop 9 percent to $18 billion, but import restrictions and fiscal austerity slowed imports to $12.5 billion and helped keep the deficit in check. While these provisional results are better than anticipated, the US Embassy reports Jakarta has been carefully managing the flow of information about oil revenues so as not to fuel concerns within the international financial community over Indonesia's $40 billion foreign debt. Moreover, we believe the favorable current account results do not tell the whole story, because there is a growing suspicion that Jakarta is drawing down its accounts with the Bank of Indonesia faster than usual to finance expenditure outlays. 25X1

India Tries To Cut Oil Bill

The sharp drop in world oil prices will help India alleviate a growing trade deficit that reached more than $5 billion during the fiscal year that ended on 31 March—petroleum accounted for about 60 percent of the trade deficit. To reduce import costs, India has begun purchasing more oil on the spot market and is attempting to renegotiate higher priced oil contracts, especially with the Soviet Union. In addition, New Delhi raised domestic oil prices in late January in part to slow domestic consumption, which grew 7 percent last year. It has committed over $2.5 billion in the 1986-87 budget for oil exploration and development, allotting choice onshore areas to the Soviet Union, and will be offering offshore oilfields for foreign exploration later this year. Nonetheless, we expect India's dependence on oil imports to grow. Domestic production from known reserves has hit a plateau, and geological studies show that prospects for large new finds are not favorable. Moreover, because of the low price of oil, many foreign petroleum companies have cut development programs. 25X1

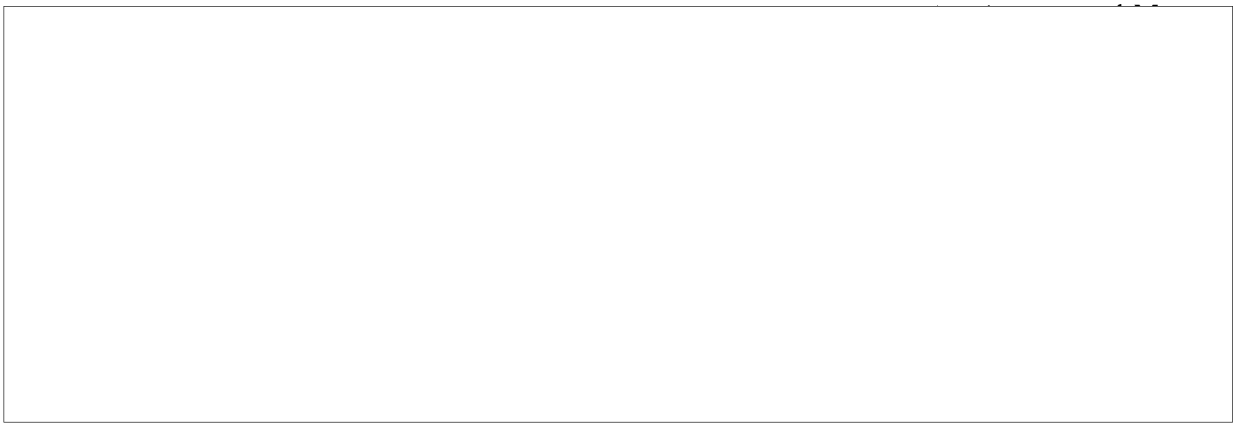
Communist

China Pushing Farm Exports

China's grain exports last year increased by 300 percent to 9.3 million metric tons, and press reports indicate that first quarter 1986 grain exports are well above the same period last year. A mild winter and good spring planting conditions have set the stage for a promising crop this year, according to agriculture officials, and grain output is expected to reach 400 million tons, compared with 379 million tons in 1985. Beijing will increase agricultural exports even further in 1986 to offset losses in foreign exchange earnings caused by the drop in oil prices. As in 1985, Beijing most likely will limit domestic sales of coarse grains and will sell as much grain as can be pushed through China's overcrowded ports. Sales efforts will focus on the USSR, South Korea, and Japan—traditional US grain markets—with corn and soybeans as the major commodities sold. 25X1

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3



25X1

North Korean Payments Problems Plaguing Economy

North Korea's bad debt payment record has continued to limit its ability to acquire raw materials needed to spur the economy. 25X1 25X1

North Korea relies completely on imports for its supplies of coking coal, and most come from China. both the USSR and Japan have also indicated that they will not deliver coking coal without assurances of payment from P'yongyang. The need to pay cash has resulted in serious shortages of coking coal, which in turn has impinged on North Korean output of steel, important not only for the domestic economy but also as an export. 25X1 25X1 25X1 25X1

Soviet Ultra-High-Voltage Powerline in Question

construction of the world's first 1.5-million-volt direct-current transmission line has stalled—only minor activity has been seen since June 1982. This line was planned to connect the coal-fired power plants being built in northern Kazakhstan with the Moscow area. only 30 kilometers of the 2,400-kilometer line have been completed, and that construction of the two critical converter stations has been at a virtual standstill. As recently as June 1985, Soviet media claimed that crews were working on the 1.4-billion-ruble line, scheduled to begin operating in 1986. In January 1986, however, the USSR's main construction authority, GOSSTROY, recommended cutting the line from the current five-year plan, a move seconded by the USSR construction bank. We believe that the slow pace of construction may indicate that the Soviets do not have the technical capability to manufacture converter equipment. 25X1

the Ministry of Power and Electrification will probably try to keep the project alive, hoping for technical breakthroughs, more funding for converter research, and possibly some Western assistance. 25X1

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

25X1
Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Page Denied

Next 1 Page(s) In Document Denied

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Directorate of Intelligence

Economic & Energy Indicators

11 April 1986

DI EEI 86-008
11 April 1986

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

This publication is prepared for the use of US Government officials, and the format, coverage, and content are designed to meet their specific requirements. US Government officials may obtain additional copies of this document directly or through liaison channels from the Central Intelligence Agency.

Requesters outside the US Government may obtain subscriptions to CIA publications similar to this one by addressing inquiries to:

Document Expediting (DOCEX) Project
Exchange and Gift Division
Library of Congress
Washington, D.C. 20540

or: **National Technical Information Service**
5285 Port Royal Road
Springfield, VA 22161

Requesters outside the US Government not interested in subscription service may purchase specific publications either in paper copy or microform from:

Photoduplication Service
Library of Congress
Washington, D.C. 20540

or: **National Technical Information Service**
5285 Port Royal Road
Springfield, VA 22161
(To expedite service call the
NTIS Order Desk (703) 487-4650

Comments and queries on this paper may be directed to the DOCEX Project at the above address or by phone (202-287-9527), or the NTIS Office of Customer Services at the above address or by phone (703-487-4660). Publications are not available to the public from the Central Intelligence Agency.

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Economic & Energy Indicators

		Page
Economic	Industrial Production	1
	Gross National Product	1
	Consumer Prices	1
	Money Supply	2
	Unemployment Rate	2
	Foreign Trade	3
	Current Account Balance	3
	Export Prices in US $	4
	Import Prices in US $	4
	Exchange Rate Trends	5
	Money Market Rates	5
	Agricultural Prices	6
	Industrial Materials Prices	7
Energy	World Crude Oil Production, Excluding Natural Gas Liquids	8
	Big Seven: Inland Oil Consumption	9
	Big Seven: Crude Oil Imports	9
	OPEC: Crude Oil Official Sales Price	10

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Industrial Production

Percent change from previous period seasonally adjusted at an annual rate

	1981	1982	1983	1984	1985			1986	
					Year	3d Qtr	4th Qtr	Jan	Feb
United States	2.6	–7.2	5.9	11.6	2.2	2.1	1.8	1.9	–7.3
Japan	1.0	0.4	3.5	11.1	4.7	–0.4	–2.9	–6.7	–1.0
West Germany	–2.3	–3.2	0.3	2.4	4.5	0.1	1.7	22.1	
France	–2.6	–1.5	1.1	2.3	0.5	7.3	0	–8.7	
United Kingdom	–3.9	2.1	3.9	1.3	4.8	0.4	1.2	20.7	
Italy	–1.6	–3.1	–3.2	3.1	1.2	–2.5	–1.8	26.9	
Canada	0.5	–10.0	5.3	8.8	4.3	9.4	5.5	0.8	

Gross National Product [a]

Percent change from previous period seasonally adjusted at an annual rate

	1981	1982	1983	1984	1985				
					Year	1st Qtr	2d Qtr	3d Qtr	4th Qtr
United States	2.5	–2.1	3.5	6.5	2.2	3.7	1.1	3.0	0.7
Japan	4.1	3.1	3.3	5.0	4.6	1.7	5.8	2.6	7.6
West Germany	–0.2	–1.0	1.5	3.0	2.4	–3.3	6.8	6.8	–0.2
France	0.2	1.8	0.7	1.6	1.2	–0.6	3.7	2.1	2.0
United Kingdom	–1.4	1.9	3.3	2.6	3.3	3.4	6.4	–0.7	2.2
Italy	0.2	–0.5	–0.4	2.6		1.2	4.8	–0.5	
Canada	3.3	–4.4	3.3	5.0	4.5	4.1	3.2	7.0	5.4

[a] Constant market prices.

Consumer Prices

Percent change from previous period seasonally adjusted at an annual rate

	1981	1982	1983	1984	1985		1986		
					Year	4th Qtr	Jan	Feb	Mar
United States	10.3	6.2	3.2	4.3	3.5	4.3	4.1	–4.6	
Japan	4.9	2.6	1.8	2.3	2.0	2.1	0.2	0	–6.6
West Germany	6.0	5.3	3.3	2.4	2.2	1.0	–1.1	–3.2	–2.0
France	13.3	12.0	9.5	7.7	5.8	3.2	–0.3	–3.2	
United Kingdom	11.9	8.6	4.6	5.0	6.1	3.2	6.0	3.8	
Italy	19.3	16.4	14.9	10.6	8.6	6.8	3.6	5.3	5.4
Canada	12.5	10.8	5.8	4.3	4.0	4.3	5.5	2.7	

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Money Supply, M-1 [a]

Percent change from previous period seasonally adjusted at an annual rate

	1981	1982	1983	1984	1985		1986		
					Year	4th Qtr	Jan	Feb	Mar
United States [b]	7.1	6.6	11.2	7.0	9.1	11.0	1.2	7.5	
Japan	3.7	7.1	3.0	2.9	4.6	0	7.5	–8.3	
West Germany	1.1	3.6	10.3	3.3	4.4	15.5	–15.9	10.1	
France	12.2	13.9	10.0	7.8					
United Kingdom	NA	NA	13.0	14.7	16.7	25.1	–7.6	3.9	
Italy	11.2	11.6	15.1	12.3					
Canada	3.8	0.7	10.2	3.3	4.2	14.3	–4.1	–4.3	2.9

[a] Based on amounts in national currency units.
[b] Including M1-A and M1-B.

Unemployment Rate [a]

Percent seasonally adjusted

	1981	1982	1983	1984	1985		1986		
					Year	4th Qtr	Jan	Feb	Mar
United States	7.5	9.6	9.4	7.4	7.1	6.9	6.6	7.2	7.1
Japan	2.2	2.4	2.7	2.7	2.6	2.8	2.7	2.6	
West Germany	5.6	7.7	9.2	9.1	9.3	9.1	9.0	9.2	9.2
France	7.6	8.4	8.6	9.6	9.9	9.7	10.2	10.4	10.5
United Kingdom	10.0	11.6	12.4	12.6	13.1	13.2	13.3	13.2	
Italy	8.4	9.1	9.9	10.4	10.7	11.0			
Canada	7.5	11.1	11.9	11.3	10.5	10.2	9.8	9.8	9.6

[a] Unemployment rates for France are estimated.

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Foreign Trade [a]

Billion US $, f.o.b.

	1981	1982	1983	1984	1985				1986	
					Year	2d Qtr	3d Qtr	4th Qtr	Jan	Feb
United States [b]										
Exports	233.5	212.3	200.7	217.6	213.3	52.6	52.6	52.4		
Imports	261.0	244.0	258.2	325.6	346.1	86.4	84.5	90.8	31.0	31.1
Balance	−27.5	−31.6	−57.5	−108.0	−132.8	−33.8	−31.9	−38.4		
Japan										
Exports	149.6	138.2	145.5	168.1	173.9	42.6	43.6	47.3	16.3	16.0
Imports	129.5	119.6	114.1	124.1	117.9	29.5	29.2	30.3	10.4	10.5
Balance	20.1	18.6	31.4	44.0	56.0	13.1	14.4	17.0	5.9	5.4
West Germany										
Exports	175.4	176.4	169.5	171.9	184.3	43.6	48.7	51.3	18.9	19.1
Imports [c]	163.4	155.3	152.9	153.1	159.0	37.2	41.8	43.8	15.4	15.6
Balance	11.9	21.1	16.6	18.8	25.3	6.4	6.9	7.5	3.5	3.5
France										
Exports	106.3	96.4	95.1	97.5	101.9	24.4	26.1	28.9	10.2	10.3
Imports	115.6	110.5	101.0	100.3	104.5	24.7	26.8	29.2	9.7	10.3
Balance	−9.3	−14.0	−5.9	−2.8	−2.5	−0.4	−0.7	−0.3	0.5	0
United Kingdom										
Exports	102.5	97.1	92.1	93.7	101.2	25.4	25.8	27.3	8.9	8.8
Imports	94.6	93.1	93.7	99.1	103.9	25.7	26.4	27.6	8.7	9.3
Balance	7.9	4.0	−1.6	−5.3	−2.7	−0.3	−0.6	−0.3	0.2	−0.5
Italy										
Exports	75.4	73.9	72.8	73.5	78.9	18.3	20.3	22.5	7.2	8.6
Imports	91.2	86.7	80.6	84.3	90.7	21.9	21.3	26.0	8.9	9.4
Balance	−15.9	−12.8	−7.9	−10.9	−11.9	−3.7	−1.0	−3.5	−1.6	−0.8
Canada										
Exports	70.5	68.5	73.7	86.5	88.0	21.8	21.8	22.5	7.7	
Imports	64.4	54.1	59.3	70.6	75.7	18.6	19.6	19.6	6.9	
Balance	6.1	14.4	14.4	15.9	12.3	3.2	2.2	2.9	0.8	

[a] Seasonally adjusted.
[b] Imports are customs values.
[c] Imports are c.i.f.

Current Account Balance [a]

Billion US $

	1981	1982	1983	1984	1985				1986	
					Year	3d Qtr	4th Qtr	Dec	Jan	Feb
United States	6.3	−8.1	−46.0	−107.4	−117.7	−29.3	−36.6			
Japan	4.8	6.9	20.8	35.0	49.3	13.1	16.1	6.8	1.9	3.9
West Germany	−6.8	3.3	4.2	6.0	13.7	2.0	7.0	2.8	1.4	3.0
France	−4.7	−12.1	−4.9	−0.9	0.8	0	0.8			
United Kingdom	15.3	8.5	4.5	1.6	4.0	1.5	1.3	0.7	1.6	0.4
Italy	−8.6	−5.7	0.6	−3.2						
Canada	−5.0	2.1	1.4	1.9	−1.9	−1.1	−0.9			

[a] Seasonally adjusted; converted to US dollars at current market rates of exchange.

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Export Prices in US $

Percent change from previous period at an annual rate

	1981	1982	1983	1984	1985			1986	
					Year	3d Qtr	4th Qtr	Jan	Feb
United States	9.2	1.5	1.0	1.4	-0.6	-2.9	-2.1	0.4	
Japan	5.5	-6.4	-2.4	0.2	-0.9	5.9	39.1	24.2	
West Germany	-14.9	-2.8	-3.2	-7.1	0	37.5	44.6	32.1	59.4
France	-12.0	-5.5	-4.8	-2.9	2.5	35.8	30.8		
United Kingdom	NA	NA	-6.2	-5.1	2.6	29.2	13.0	-10.6	-16.7
Italy	-7.8	-3.0	-4.4	-5.2		20.2			
Canada	3.9	-2.0	-1.3	-3.7	-3.1	8.0	-4.9		

Import Prices in US $

Percent change from previous period at an annual rate

	1981	1982	1983	1984	1985			1986	
					Year	3d Qtr	4th Qtr	Jan	Feb
United States	5.3	-2.0	-3.7	1.7	-2.5	-0.1	1.9	1.8	
Japan	3.6	-7.4	-5.0	-2.8	-4.3	2.8	3.2	16.5	
West Germany	-8.6	-4.7	-5.2	-4.8	-1.5	19.6	27.2	6.5	4.6
France	-7.8	-7.2	-7.0	-3.8	-0.3	18.9	38.4		
United Kingdom	NA	NA	-5.7	-4.6	0.5	17.3	8.3	-13.6	-2.0
Italy	1.0	-5.3	-6.6	-3.7	-1.0	7.4	24.2		
Canada	8.7	-1.1	-3.3	-0.1	-1.3	9.3	-4.2		

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Exchange Rate Trends

Percent change from previous period at an annual rate

	1981	1982	1983	1984	1985			1986	
					Year	3d Qtr	4th Qtr	Jan	Feb
Trade-Weighted									
United States	10.5	10.6	5.8	9.1	6.3	−14.9	−15.4	−16.0	
Japan	9.3	−5.7	10.4	6.2	6.8	11.1	69.1	−5.0	
West Germany	−2.1	7.0	5.8	1.0	1.7	8.4	11.6	6.5	
France	−5.1	−6.1	−4.7	−2.1	2.7	9.8	11.8	4.1	
United Kingdom	2.5	−2.1	−5.0	−2.5	2.0	16.7	−6.5	−39.5	
Italy	−9.2	−5.1	−1.6	−3.1	−3.8	−9.8	4.5	6.3	
Canada	0.3	0.2	2.3	−2.3	−3.6	−4.0	−12.1	−14.7	
Dollar Cost of Foreign Currency									
Japan	2.7	−12.9	4.6	0	−0.3	18.6	42.9	14.1	61.4
West Germany	−24.6	−7.2	−5.2	−11.5	−3.3	27.8	32.1	27.4	41.0
France	−28.7	−20.8	−15.9	−14.7	−2.7	28.0	31.6	26.3	41.0
United Kingdom	−13.2	−13.4	−13.3	−11.9	−3.0	44.5	17.8	−12.8	−0.3
Italy	−32.8	−18.8	−12.3	−15.6	−8.6	15.6	26.3	29.6	40.9
Canada	−2.5	−2.9	0.1	−5.1	−5.4	2.7	−6.0	−8.8	1.1

Money Market Rates

Percent

	1981	1982	1983	1984	1985			1986	
					Year	3d Qtr	4th Qtr	Jan	Feb
United States 90-day certificates of deposit, secondary market	16.24	12.49	9.23	10.56	8.16	7.90	7.93	7.95	NA
Japan loans and discounts (2 months)	7.79	7.23	NA	6.66	6.52	6.50	6.48	6.46	6.42
West Germany interbank loans (3 months)	12.19	8.82	5.78	5.96	5.40	4.86	4.81	4.63	NA
France interbank money market (3 months)	15.47	14.68	12.51	11.74	9.97	9.81	9.10	9.65	NA
United Kingdom sterling interbank loans (3 months)	13.85	12.24	10.12	9.91	12.21	11.67	11.60	12.05	NA
Italy Milan interbank loans (3 months)	20.13	20.15	18.16	15.91	14.95	14.37	14.52	14.79	NA
Canada finance paper (3 months)	18.46	14.48	9.53	11.30	9.71	9.32	9.10	NA	NA
Eurodollars 3-month deposits	16.87	13.25	9.69	10.86	8.41	8.14	8.15	8.19	NA

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Agricultural Prices

	1981	1982	1983	1984	1985		1986		
					Year	4th Qtr	Jan	Feb	Mar
Bananas Fresh imported, (Total world, $ per metric ton)	214.0	217.0	232.0	243.0	110.3	108.1	109.4	109.3	NA
Beef (¢ per pound)									
Australia (Boneless beef, f.o.b. US Ports)	112.1	108.4	110.7	101.1	96.6	99.3	98.5	97.7	96.4
United States (Wholesale steer beef, midwest markets)	100.0	101.4	97.6	100.9	90.7	96.1	92.3	87.0	84.0
Cocoa (¢ per pound)	89.8	74.3	92.1	106.2	98.7	100.8	100.6	95.5	NA
Coffee ($ per pound)	1.28	1.40	1.32	1.44	1.43	1.52	2.04	1.95	2.04
Corn (US #3 yellow, c.i.f. Rotterdam, $ per metric ton)	150	123	148	150	125	117	119	115	112
Cotton (World Cotton Prices, "A" index, c.i.f. Osaka, US ¢/lb.)	72.69	74.48	85.71	63.91	57.87	48.68	52.13	54.66	54.00
Palm Oil (United Kingdom 5% bulk, c.i.f., $ per metric ton)	571	445	502	730	501	369	342	283	235
Rice ($ per metric ton)									
US (No. 2, milled, 4% c.i.f. Rotterdam)	632	481	514	514	484	465	450	455	455
Thai SWR (100% grade B c.i.f. Rotterdam)	573	362	339	310	249	263	238	237	232
Soybeans (US #2 yellow, c.i.f. Rotterdam, $ per metric ton)	288	244	282	283	225	208	218	217	218
Soybean Oil (Dutch, f.o.b. ex-mill, $ per metric ton)	507	447	527	727	571	454	457	395	370
Soybean Meal (US, c.i.f. Rotterdam $ per metric ton)	252	219	238	197	157	174	186	186	194
Sugar (World raw cane, f.o.b. Caribbean Ports, spot prices ¢ per pound)	16.93	8.42	8.49	5.18	4.04	5.30	4.87	5.55	7.07
Tea Average Auction (London) (¢ per pound)	91.0	89.9	105.2	156.6	90.0	78.1	82.1	85.7	NA
Wheat (US #2. DNS c.i.f. Rotterdam, $ per metric ton)	210	187	183	182	169	175	175	175	165
Food Index [a] (1980=100)	88	78	86	92	81	84	95	93	97

[a] The food index is compiled by *The Economist* for 14 food commodities which enter international trade. Commodities are weighted by 3-year moving averages of imports into industrialized countries.

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Industrial Materials Prices

	1981	1982	1983	1984	1985		1986		
					Year	4th Qtr	Jan	Feb	Mar
Aluminum (¢ per pound)									
Major US producer	77.3	76.0	77.7	81.0	81.0	81.0	81.0	81.0	81.0
LME cash	57.4	44.9	65.1	56.8	47.2	44.6	50.6	50.6	53.1
Chrome Ore (South Africa chemical grade, $ per metric ton)	53.0	50.9	50.0	50.0	43.9	40.0	40.0	40.0	40.0
Copper [a] (bar, ¢ per pound)	79.0	67.1	72.0	64.2	64.5	64.2	64.2	63.8	65.6
Gold ($ per troy ounce)	460.0	375.5	424.4	360.0	317.2	326.0	343.1	338.9	345.7
Lead [a] (¢ per pound)	32.9	24.7	19.3	20.0	17.7	17.8	16.7	16.7	16.6
Manganese Ore (48% Mn, $ per long ton)	82.1	79.9	73.3	69.8	68.4	67.2	67.2	67.2	67.2
Nickel ($ per pound)									
Cathode major producer	3.5	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2
LME Cash	2.7	2.2	2.1	2.2	2.2	1.9	1.8	1.8	1.9
Platinum ($ per troy ounce)									
Major producer	475.0	475.0	475.0	475.0	475.0	475.0	475.0	475.0	475.0
Metals week, New York dealers' price	446.0	326.7	422.6	358.2	291.0	325.5	362.6	373.8	413.0
Rubber (¢ per pound)									
Synthetic [b]	47.5	45.7	44.0	44.4	44.1	41.7	43.9	42.8	NA
Natural [c]	56.8	45.4	56.2	49.6	42.0	41.8	40.7	42.5	42.0
Silver ($ per troy ounce)	10.5	7.9	11.4	8.1	6.1	6.1	6.0	5.9	5.7
Steel Scrap [d] ($ per long ton)	92.0	63.1	73.2	86.4	74.4	69.2	73.2	75.0	NA
Tin [a] (¢ per pound)	641.4	581.6	590.9	556.6	543.2	559.4	NA	385.6	329.2
Tungsten Ore (contained metal, $ per metric ton)	18,097	13,426	10,177	10,243	10,656	9,488	8,588	8,745	8,687
US Steel (finished steel, composite, $ per long ton)	543.5	567.3	590.2	611.6	617.8	617.8	551.2	551.2	NA
Zinc [a] (¢ per pound)	38.4	33.7	34.7	41.5	35.4	28.6	29.4	27.6	28.4
Lumber Index [e] (1980=100)	95	84	114	105	103	101	NA	104	NA
Industrial Materials Index [f] (1980=100)	85	71	82	76	69	66	66	68	71

[a] Approximates world market price frequently used by major world producers and traders, although only small quantities of these metals are actually traded on the LME. As of February 1986 tin prices from the Penang market.
[b] S-type styrene, US export price.
[c] Quoted on New York market.
[d] Average of No. 1 heavy melting steel scrap and No. 2 bundles delivered to consumers at Pittsburgh, Philadelphia, and Chicago.
[e] This index is compiled by using the average of 11 types of lumber whose prices are regarded as bellwethers of US lumber construction costs.
[f] The industrial materials index is compiled by *The Economist* for 18 raw materials which enter international trade. Commodities are weighted by 3-year moving averages of imports into industrialized countries.

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

World Crude Oil Production
Excluding Natural Gas Liquids

Thousand b/d

	1981	1982	1983	1984	1985[a]				
					Year	3d Qtr	4th Qtr	Nov	Dec
World	**55,837**	**53,092**	**52,633**	**53,691**	**53,356**	**52,373**	**55,015**	**54,709**	**55,051**
Non-Communist countries	**41,602**	**38,810**	**38,228**	**39,257**	**38,692**	**37,588**	**40,707**	**40,418**	**40,760**
Developed countries	12,886	13,276	13,864	14,302	14,730	14,643	14,958	14,989	14,860
United States	8,572	8,658	8,680	8,735	8,933	8,954	8,933	8,901	8,936
Canada	1,285	1,270	1,356	1,411	1,457	1,444	1,476	1,475	1,500
United Kingdom	1,811	2,094	2,299	2,535	2,533	2,399	2,607	2,655	2,481
Norway	501	518	614	700	785	823	870	879	870
Other	717	736	915	921	1,022	1,023	1,072	1,079	1,073
Non-OPEC LDCs	6,036	6,633	6,823	7,515	7,845	7,922	7,888	7,849	7,915
Mexico	2,321	2,746	2,666	2,746	2,733	2,738	2,721	2,679	2,733
Egypt	598	665	689	827	874	890	856	860	860
Other	3,117	3,222	3,468	3,942	4,238	4,294	4,311	4,310	4,322
OPEC	22,680	18,901	17,541	17,440	16,117	15,023	17,861	17,580	17,985
Algeria	803	701	699	638	645	616	660	680	650
Ecuador	211	211	236	253	280	282	287	290	290
Gabon	151	154	157	152	153	153	160	160	160
Indonesia	1,604	1,324	1,385	1,466	1,235	1,203	1,286	1,200	1,100
Iran	1,381	2,282	2,492	2,187	2,258	2,335	2,301	2,200	2,400
Iraq	993	972	922	1,203	1,437	1,482	1,666	1,700	1,650
Kuwait [b]	947	663	881	912	862	800	899	950	900
Libya	1,137	1,183	1,076	1,073	1,069	933	1,234	1,200	1,300
Neutral Zone [c]	370	317	390	410	355	306	391	400	360
Nigeria	1,445	1,298	1,241	1,393	1,464	1,214	1,686	1,760	1,620
Qatar	405	328	295	399	302	312	312	300	335
Saudi Arabia [b]	9,625	6,327	4,867	4,444	3,290	2,564	4,067	4,000	4,500
UAE	1,500	1,248	1,119	1,097	1,146	1,193	1,242	1,185	1,165
Venezuela	2,108	1,893	1,781	1,813	1,621	1,630	1,670	1,555	1,555
Communist countries	**14,235**	**14,282**	**14,405**	**14,434**	**14,664**	**14,785**	**14,308**	**14,291**	**14,291**
USSR	11,800	11,830	11,864	11,728	11,749	11,866	11,367	11,350	11,350
China	2,024	2,042	2,121	2,286	2,496	2,504	2,521	2,521	2,521
Other	411	410	420	420	419	415	420	420	420

[a] Preliminary.
[b] Excluding Neutral Zone production, which is shown separately.
[c] Production is shared equally between Saudi Arabia and Kuwait.

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Big Seven: Inland Oil Consumption

Thousand b/d

	1981	1982	1983	1984	1985					1986
					Year	2d Qtr	3d Qtr	4th Qtr	Dec	Jan
United States [a]	16,058	15,296	15,184	15,708	15,697	15,452	15,557	15,748	16,541	15,923
Japan	4,444	4,204	4,193	4,349	4,124	3,580	3,839	4,376	5,036	
West Germany	2,120	2,024	2,009	2,012	2,077	2,034	2,258	2,018	1,932	
France	1,744	1,632	1,594	1,531	1,493	1,342	1,310	1,569	1,504	1,622
United Kingdom	1,325	1,345	1,290	1,624	1,398	1,208	1,230	1,292	1,203	
Italy [b]	1,705	1,618	1,594	1,513	1,511	1,281	1,417	1,642	1,707	1,718
Canada	1,617	1,454	1,354	1,348	1,350	1,286	1,366	1,419	1,481	

[a] Including bunkers, refinery fuel, and losses.
[b] Principal products only prior to 1981.

Big Seven: Crude Oil Imports

Thousand b/d

	1981	1982	1983	1984	1985					1986
					Year	3d Qtr	4th Qtr	Nov	Dec	Jan
United States	4,406	3,488	3,329	3,402	3,216	3,171	3,662	4,105	3,640	3,329
Japan	3,919	3,657	3,567	3,664		3,003		3,233		
West Germany	1,591	1,451	1,307	1,335	1,284	1,248	1,210	1,182	1,150	
France	1,804	1,596	1,429	1,395	1,476	1,421	1,590	1,527	1,690	1,430
United Kingdom	736	565	456	482		444				
Italy	1,816	1,710	1,532	1,507		1,166				
Canada	521	334	247	244		311		350		

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

OPEC: Crude Oil Official Sales Price [a]

US $ per barrel

	1980	1981	1982	1983	1984	1985	1986			
							1st Qtr	Jan	Feb	Mar
OPEC average [b]	30.87	34.50	33.63	29.31	28.70	28.14	28.09	28.11	28.08	28.09
Algeria 44° API 0.10% sulfur	37.59	39.58	35.79	31.30	30.50	29.66	29.50	29.50	29.50	29.50
Ecuador 28° API 0.93% sulfur	34.42	34.50	32.96	27.59	27.50	26.41	26.15	26.15	26.15	26.15
Gabon 29° API 1.26 % sulfur	31.09	34.83	34.00	29.82	29.00	28.09	28.00	28.00	28.00	28.00
Indonesia 35° API 0.09% sulfur	30.55	35.00	34.92	29.95	29.53	28.62	28.53	28.53	28.53	28.53
Iran										
Light 34° API 1.35% sulfur	34.54	36.60	31.05	28.61	28.00	28.13	28.05	28.05	28.05	28.05
Heavy 31° API 1.60% sulfur	33.60	35.57	29.15	27.44	27.10	27.37	27.35	27.35	27.35	27.35
Iraq [c] 35° API 1.95% sulfur	30.30	36.66	34.86	30.32	29.43	28.27	28.43	28.43	28.43	28.43
Kuwait 31° API 2.50% sulfur	29.84	35.08	32.30	27.68	27.30	27.30	27.30	27.30	27.30	27.30
Libya 40° API 0.22% sulfur	36.07	40.08	35.69	30.91	30.40	30.40	30.40	30.40	30.40	30.40
Nigeria 34° API 0.16% sulfur	35.50	38.48	35.64	30.22	29.12	28.34	28.37	28.37	28.37	28.37
Qatar 40° API 1.17% sulfur	37.12	34.56	29.95	29.49	28.48	28.10	28.10	28.10	28.10	28.10
Saudi Arabia										
Berri 39° API 1.16% sulfur	30.19	34.04	34.68	29.96	29.52	28.20	28.11	28.11	28.11	28.11
Light 34° API 1.70% sulfur	28.67	32.50	34.00	29.46	29.00	28.08	28.00	28.00	28.00	28.00
Medium 31° API 2.40% sulfur	28.12	31.84	32.40	27.86	27.40	27.32	27.20	27.20	27.20	27.20
Heavy 27° API 2.85% sulfur	27.67	31.13	31.00	26.46	26.00	26.25	26.00	26.00	26.00	26.00
UAE 39° API 0.75% sulfur	31.57	36.42	34.74	30.38	29.56	28.24	28.15	28.15	28.15	28.15
Venezuela 26° API 1.52% sulfur	28.44	32.88	32.88	28.69	27.88	27.37	27.10	27.10	27.10	27.10

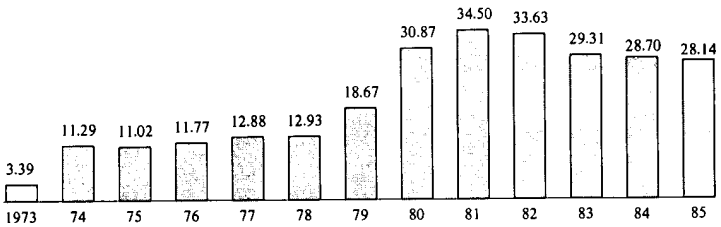
[a] F.o.b. prices set by the government for direct sales and, in most cases, for the producing company buy-back oil.
[b] Weighted by the volume of production.
[c] Beginning in 1981 the price of Kirkuk (Mediterranean) is used in calculating the OPEC average official sales price.

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

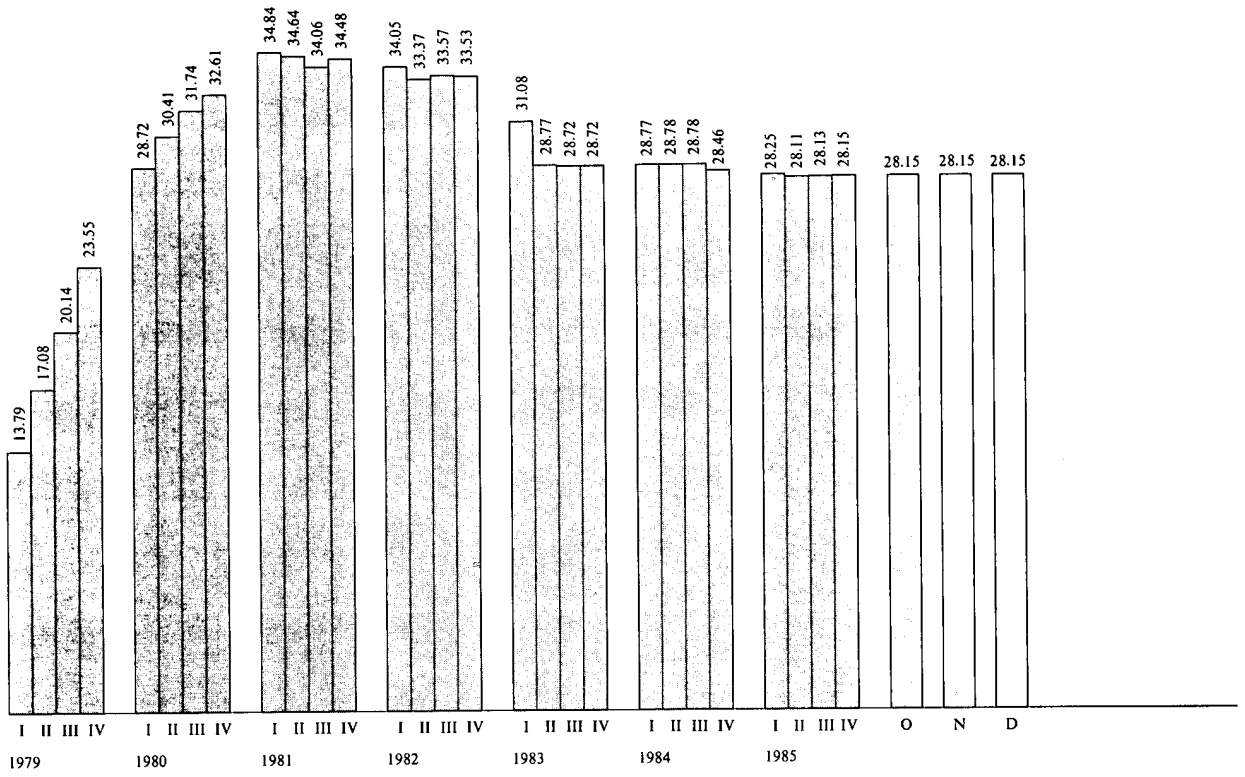
Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

OPEC: Average Crude Oil Sales Price

US $ per barrel



Annual average



The 1973 price is derived from posted prices, not official sales prices.

STAT

308028 1-86

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3

Declassified in Part - Sanitized Copy Approved for Release 2011/12/12 : CIA-RDP88-00798R000300110006-3